

GENERAL AGREEMENT ON TARIFFS AND TRADE

Y 4.L 11/4:S. HRC. 103-929

General Agreement on Tariffs and Tr...

HEARING

BEFORE THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

THE IMPLICATIONS OF THE GENERAL AGREEMENT ON TARIFFS AND
TRADE

NOVEMBER 23, 1994 (Boston, MA)

Printed for the use of the Committee on Labor and Human Resources

SUPPLEMENT OF DOCUMENTS
OF HISTORY

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GENERAL AGREEMENT ON TARIFFS AND TRADE

WEDNESDAY, NOVEMBER 23, 1994

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Boston, MA.

The committee met, pursuant to notice at 9:30 a.m., in the Gardner Auditorium, Massachusetts Statehouse, Boston, MA, Senator Kennedy (chairman of the committee) presiding.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. We will come to order. We want to open our hearing this morning on the implications of the General Agreement on Tariffs and Trade, an issue that will be before the United States Congress in a ten to twelve day period, and we convene the Labor Committee this morning to give an opportunity for many of those who have been thinking a good deal of time about this issue to be able to present their views, primarily to focus on the implications of this agreement on the working conditions here in the U.S., both currently and in the future.

I have a full statement which I will include as read in the record so that we will be able to utilize the time that we do have available between now and hopefully about 12:15, close to some three hours. We have a very full agenda, a number of individuals who have given great thought to these issues over a long period of time, and we want to accommodate and listen to them. We also want to recognize that, given the time constraints, that we hope the early witnesses will be understanding to the fact that there is a second panel and we do not want to short change them on their presentations as well, treat them fairly.

But it would be my intention now, starting at 9:30, taking a brief break at 11:00 to 11:15, hopefully conclude the second panel by 12:15 and then to have a period, short period, for those that are in the audience and want to make a brief comment. We will divide the number of people that want to speak and the amount of time we have available. And I will ask those to sign up with Sarah Fox, who is staff here for the Labor and Human Resources Committee. We will put a pad over at this side of the table and they can sign up there. We will do the best we can.

I want to make it clear that any of the individuals that are in here today that want to have a statement or comment included in the record, it will be made a part of the record. And my staff will remain here during the course of the day to help and assist them

in terms of the preparation of any statements. Anyone that wants to file a statement and have it included in the record, we will be keeping the record open for the next 3 days so anyone that reads about this, hears about it, has their attention drawn to it and wants to make whatever comments or statements or reactions to any of the comments made here in the course of this hearing will have an opportunity to do so as well. We will not close the record until the first part of next week. We have to close it then in order to get it printed up so it will be available to the members of our committee for the debate and the discussion.

We will hear from many of our friends in the trade union movement as well as from manufacturers, as well as leaders in industry, as well as experts on trade issues. I am very mindful of the great contributions that organized labor has made in expanding economic opportunity and trade and the contributions they have made to the country over a very long period of time. The trade union movement were really the leaders in opening up trade, international trade in the immediate postwar period and provided very strong leadership in that area in the early 1960s. They also supported the Trade Expansion Act. At that time we had close to seven percent unemployment and it was the position then of labor that we would not move toward any kind of trade, international trade, unless we were going to deal with the issues of unemployment here in the U.S. And after we were able to get unemployment down to about four percent after the Trade Expansion Act was passed and had the support of labor, their interest has been to insure that any kind of trade program is going to be fair trade. That was the condition in the postwar period. That was the condition which they supported in the early 1960s, and their interest in this issue is whether there is going to be fair trade for the American workers and what the implications of this legislation is going to be upon workers now, what it will be in terms of their future.

I have had a good opportunity to talk with many of those that will be testifying today, both in the course over a long period of time about this issue and in recent times as well. And I have the highest degree of respect and confidence in terms of their commitment to their workers. The interest of the working families is something which I take a very special interest in, a commitment to. That is something which, as chairman of this committee, is something that I have been committed to for a long time in the U.S. Senate and will continue to do so. There may be areas of difference between us. There have been in the past. There will be in the future. But I want all of those to know about my continuing and ongoing and strong commitment in terms of insuring that the backbone of this Nation, which are the working families of this country, that have made this country the industrial Nation that it has been, that has been the backbone for the economic successes that we have had as a powerful Nation, has been as a result of the working families and, to a great extent, to organized labor. They have been interested not only in the interests and protection of their own jobs but also in the working conditions for others who have not been a part of the trade union movement. So we are glad to have the opportunity to listen to them this morning.

We had invited the other members of our committee, other members of the congressional delegation, to join us here today. I think all of us are understanding of the pressures in terms of the schedules, but, nonetheless, I am sure that both the testimony that is given today will be available to our committee, the Labor and Human Resources Committee, printed, and will be available in terms of the debate and the discussion. I will use the materials that have been submitted and information that has been given in the course of this debate and make it available to the other members of our committee.

[The prepared statement of Senator Kennedy follows:]

PREPARED STATEMENT OF SENATOR KENNEDY

It is a privilege to welcome our witnesses and other guests to the Senate Labor Committee hearing this morning on GATT.

A year ago, there was extensive debate in Congress and the Nation over whether the United States should enter into the North American Free Trade Agreement with Canada and Mexico, our two closest neighbors to the north and south. Next week, when Congress resumes its session, the Senate and House will debate and vote on whether to enact legislation implementing the General Agreement on Tariffs and Trade, a much more far-reaching effort to reduce barriers to trade among more than a hundred nations throughout the world.

As with NAFTA last year, GATT has provoked strong feelings on both sides of the issue, and sharply contrasting assessments of the impact of the agreement on our Nation's economic future and our work force.

We will hear today from witnesses who view the agreement from a variety of different perspectives, including a number of witnesses who are deeply concerned that the long-term consequences of GATT will be further pain and dislocation for the working men and women who have already been hard hit by the massive structural changes that have transformed our economy over the last two decades.

There is one fundamental principle we can all agree on. The success of our trade policies must be measured by the degree to which they improve the living standards of the people and advance the well-being of our society.

It is clear that families have yet to experience the sense of enhanced economic security that should come with an expanding economy. Despite significant progress in the last 2 years in making up the ground lost to the recession, reducing unemployment, creating new jobs, holding inflation down and cutting the Federal deficit, there continues to be a pervasive sense of unease among large numbers of working families in Massachusetts.

Many of them have been affected by the dislocations accompanying this period of economic change—if not directly, then through the experiences of relatives, neighbors, or friends. The prospect of expanded trade and increased international competition brings with it not visions of greater prosperity, but greater anxiety for their own jobs and for their families' futures.

How can we compete with countries where wages are far below what workers earn in this country? How do we ensure that the new

jobs created through an expanding export economy are good jobs, with decent wages and benefits? How can we maintain the industrial base on which we built our strong middle class at a time now, when capital and technology can more freely be transferred anywhere in the world?

These are questions that should be asked and answered as we consider this important trade agreement. I hope that this hearing will shed further light on these critical questions.

In recent years, we have been working hard in Massachusetts to overcome the effects of the recession and to create new jobs and better jobs for our workers. We have made substantial progress, especially in areas such as telecommunications, software, biotechnology, construction, and other industries. Our primary goal is the retention and creation of good jobs and good wages.

In Massachusetts, we are fortunate to have a number of industrial sectors that will continue to grow and expand as long as we continue to focus on their needs, and invest in them. We must provide an educated and skilled work force, a quality living environment, and the infrastructure necessary to keep our State economy strong. To do so, we must maintain the competitive advantage that has made our State a place where we can create good jobs for our workers.

I have been supportive of the administration's efforts to negotiate GATT, because I believe our economic strength depends on expanded trade. The agreement will affect many sectors of the economy in Massachusetts.

There is strong reason to believe that the medical equipment, computer, and telecommunications industries will be better able to compete in international markets with vastly reduced tariffs and new government procurement opportunities.

The machine tool industry, which was founded in New England and has recently begun to rebound, will have improved access to new world markets. Trade barriers that have long denied U.S. access to markets in Europe, Asia, and other parts of the world will be removed.

On the other hand, the textile and apparel industry will be faced with the phase-out of the Multi-Fiber Agreement, which sets quotas that have allowed the industry to remain competitive over the years. Witnesses here today representing employers and workers in those industries will address that aspect of GATT.

I am also concerned that in the new GATT world, Massachusetts businesses and workers will have to compete against countries with lower labor standards and lower environmental standards. Free trade won't work unless it is also fair trade.

Additional concerns over GATT involve the World Trade Organization and our relations with other nations. The administration has stated that we will be in at least as strong a position under the new organization as we were prior to GATT. Yet there is enormous dispute over this new trade structure.

The budget waiver issue is also a concern. This agreement will result in estimated revenue losses of \$12 billion over 5 years, and \$40 billion over 10 years. At a time when we are cutting budgets, eliminating programs, and working to reduce the deficit, we must be concerned about the effect of GATT, and attempt to assess its

impact on the workers and industries of our State. I welcome our witnesses, and I look forward to their testimony.

The CHAIRMAN. So with those brief comments, we have a statement from my colleague, Senator Kerry, on this issue and I will include it as a part of the record at this point in the record. I will include his full letter. He is currently on a trade mission in the Far East. He will not return until later in the week. He very much wanted to be here. He is very much involved in the debate and the discussion. His mission to the Far East is to insure additional investment and job opportunities.

[The prepared statement of Senator Kerry follows:]

PREPARED STATEMENT OF SENATOR KERRY

Thank you for holding this hearing on the critical issue of GATT and demonstrating once again your commitment to the working people of Massachusetts. I wish I could be with you but I am currently leading a trade mission of Massachusetts businesses to the Far East in order—I hope—to increase our exports and generate high-wage jobs here at home.

As you know, it is my feeling that trade agreements that force foreign countries to lower their barriers and abide by certain rules of fair play will help Americans get and keep jobs—not the reverse. Whether or not there is a GATT treaty, we still must contend with an economy that is changing, merging with the rest of the world. Without an agreement, the U.S. will continue to find imports pouring into open American markets but our exports will still be blocked by foreign trade barriers. With GATT, we can dramatically increase our exports and create more high wage jobs for Massachusetts' working families. Estimates predict GATT will give the U.S. economy a boost of between \$70 billion and \$200 billion a year. That is not small change.

However, I do have concerns about some of the details of the agreement. I've told our trade negotiators I am disappointed they did not pay far more attention to labor rights and environmental standards and I fully support the efforts now underway to ensure that the WTO is made more open and responsive to U.S. concerns. I am also personally committed to fully funding worker training programs so that those people who are hurt get real assistance in finding new jobs.

Before the Senate votes next week, I plan to read the transcript of your hearing and I will continue to listen to the concerns and hopes of as many Massachusetts people as possible.

Thanks for allowing me to contribute these views. I look forward to talking with you more when I return.

The CHAIRMAN. I am greatly appreciative of Mr. Shapiro joining with us. Ira Shapiro has been a long time friend. He is General Counsel, Special Trade Representative, and I will just invite his comments as matters are raised regarding a number of the provisions of the treaty itself that need elaboration. I want to thank him very much for his presence here. I have had a good opportunity of knowing him for a number of years where he has been dedicated to public policy and public interest, and he has been a friend. And we are very, very grateful to him for being here.

We will start off this morning with our Mr. Bill Bywater who is a fighting representative for the members of the IUE and a respected friend of the Labor Committee.

I want to thank you very much, Bill, for being here. I think all of us know—I certainly do—about the strong views you have on this issue. You have communicated them to all the members of our committee and the members of the Senate, and we value very much your leadership on this issue, as other issues. We thank you for being here.

Charlie Ruiter is the Business Agent for the IUE Local 201 which represents workers of GE Lynn. He deserves a lot of credit for helping us to be at the hearing today.

Bobby Haynes who is not only the Secretary-Treasurer of the Massachusetts AFL-CIO but a friend. He mobilized the organized labor community on our behalf over the last several months. He is a tireless worker in this State on behalf of workers.

Lori Wallach is another out-of-town guest. She is highly recognized throughout the country for her knowledge on trade issues.

Peter Meade is the advocate on this panel for GATT. We know that he will make good arguments in favor of this issue and he has a particular view in terms of its impact in terms of Massachusetts and the region. We look forward to his comments.

We do not have a time limit here. I resent them. I know our witnesses do. Usually they should apply more to the members than they do to the witnesses, but in any event, we will go along and ask for statements to be a reasonable period of time. Everyone understands the number of witnesses we have. This is an important hearing. People ought to be heard. They ought to make their presentation. We do not want to interrupt on it but we do want to use what time we do have for questions and for elaboration and we will have more of that opportunity if we have more time.

Mr. Bywater, glad you are here.

STATEMENTS OF WILLIAM BYWATER, INTERNATIONAL UNION OF ELECTRONIC, ELECTRICAL SALARIED, MACHINE AND FURNITURE WORKERS, AFL-CIO; CHARLES RUITER, BUSINESS AGENT, IUE LOCAL 201, LYNN, MA; ROBERT HAYNES, SECRETARY-TREASURER, MASSACHUSETTS AFL-CIO; LORI WALLACH, DIRECTOR OF PUBLIC CITIZEN'S TRADE PROGRAM; AND PETER MEADE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NEW ENGLAND COUNCIL

Mr. BYWATER. Senator Kennedy, first I want to thank you for holding this hearing on the GATT. It is been a secret apparently from most of the people in the country as to what the GATT is all about, so obviously I am very happy we're having this hearing.

IUE, which I represent, represents workers in numerous industries including defense, electronics, power generation equipment and automotive parts industries. At one time our union had some 360,000 members. Today we have 150,000. This dramatic decline largely has been due to our members having been displaced as their employers cut back or totally shut down the U.S. operations in favor of lower wage countries. Regrettably, U.S. trade policy has served only to foster this corporate investment strategy. In my view

this GATT agreement represents a frightening culmination of this misguided policy.

Since 1986 when the Uruguay Round negotiations began, the U.S. merchandise trade deficit has climbed from \$138 billion to a projected \$160 billion in 1994. Imports of manufactured goods have surged from 54 percent to 84 percent of all imports. While it is true that total employment has grown over the last number of years, that growth has occurred solely in the service sector. Almost one million manufacturing jobs since 1986 have disappeared. The average weekly manufacturing wage, just for inflation, has declined 6.2 percent. Clearly we cannot afford to continue down this path.

Trade agreements structured correctly can benefit the people of the countries involved. They can raise living standards. Trade agreements structured incorrectly will increase corporate wealth but they will depress rather than raise wages. When evaluating our trade policy, we cannot afford to forget this basic principle. Poorly paid workers cannot buy each others' products. And only through a strong workers' rights, expressly stated in our trade agreements, can we ensure that governments that want to enjoy the benefits of a world trading system will respect the rights of their citizens.

The GATT will mean job loss and wage depression for U.S. workers as they are subjected to unfair competition from countries that maintain lower labor costs through the suppression of workers' rights. Glaringly absent from this GATT is any attempt to recognize the need for labor rights and standards throughout the world. I find it both morally reprehensible and economically foolhardy that a U.S. worker will be put in competition with, for example, an Indonesian child working in an electric light bulb factory for \$3.00 per week. Indeed, a U.S. statute limiting trade with countries that exploit children for cheap labor would be GATT illegal. The letter I presented to you earlier this morning would show that this is exactly the interpretation of Mickey Kantor.

I urge the U.S. Congress to look carefully at the promises and claims made by GATT supporters. We are being told that increased exports will create jobs. What we must question is, where are these jobs?

Proponents of this agreement point to NAFTA as a success upon which we should build. This month marks the first anniversary of NAFTA's passage. The evidence thus far suggests the promises made by NAFTA proponents were empty ones. A report issued last week by the Institute for Policy Studies concludes that NAFTA has, quote, failed miserably in its promises to labor and the claim of 100,000 NAFTA related new jobs is, quote, false, misleading and grossly overblown. The report contains a careful analysis of NAFTA proponents. It demonstrates that in fact only 535 new jobs can be traced to NAFTA. I've attached the report to my written statement for your convenience.

A major flaw in the projections for huge job gain under NAFTA is that they consider only U.S. export growth to Mexico and ignore the other side of the equation, growth in U.S. imports. I am particularly interested in the claims made about the auto industry. As numerous IUE workers are employed in the auto parts sector, NAFTA proponents claim that in the first 5 months of 1994, U.S.

vehicle exports to Mexico increased by 12,000 compared to the same period in 1993. That is true. What is absent from this picture, however, is the fact that U.S. vehicle imports from Mexico increased by 28,000, more than twice as much as the export gain in the auto parts trade. U.S. exports to Mexico increased by nearly \$200 million in the first half of 1994 over the first half of 1993. However, here again, U.S. auto parts in Mexico soared by 1.2 billion. What those numbers come down to in human terms is jobs.

Between January 1st and November 7th of this year, more than 30,000 workers applied for NAFTA related TAA and there are many reasons to believe these workers represent only the tip of the iceberg.

As we approach the vote in the GATT it is incumbent upon the U.S. Congress to understand what NAFTA has in fact thus far meant for our economy. We cannot consider exports but not imports. We also have serious concerns about the New World Trade Organization, the WTO, and its impact on our sovereignty. The WTO is a secret tribunal marked by the absence of public participation and rights of appeal. The WTO, of which democratic nations form a minority, will have the authority to rule on the GATT legality of U.S. laws, laws that have been democratically passed by the U.S. Congress and signed into law by the President. If we do not conform to a WTO ruling, we would be subject to economic sanctions. You would in essence allow an undemocratic body to tax the American people.

I would hope that all members of Congress, before voting on this agreement, are fully aware of all U.S. Laws which would be vulnerable to attack. One of the prices that will be paid pay for free trade will be a watering down of essential protections afforded by production, consumer and environmental laws.

Last, it is estimated the GATT will increase the Federal budget by as much as \$40 billion over the next 10 years. Given that our astronomical budget deficit has jeopardized numerous worthy social programs—social programs for which for you, Mr. Chairman, have been one of our strongest champions over the past 30 years—and prompted calls for such dramatic action as a Constitutional Amendment to balance the budget, I find it incredible that the Senate would waive the Budget Act to approve an agreement that is alien to the best economic interests of the people of this country.

I urge you personally to do whatever you can to reject this agreement and that the U.S. Congress reject the GATT.

Thank you.

[The prepared statement of Mr. Bywater may be found in the appendix.]

The CHAIRMAN. Mr. Ruiter.

Mr. RUITER. Good morning, Senator Kennedy.

My name is Charles Ruiter. I am the Business Agent of IUE Local 201 in Lynn, Massachusetts. We represent 3,500 workers at the General Electric Aircraft Engine Plant, Amatek Aerospace Products and a newly organized plant, Environmental Operating Systems of Wheelabrator.

Senator Kennedy, just last week Vice President Al Gore in his efforts to gain support for GATT spoke of the largest tax cuts in history. What tax cut? It is a revenue cut. He spoke of hundreds

of billions of dollars the American people would receive, goods manufactured off shore at lower prices because of no tariffs under GATT. He did not explain in his quote, tax cut promise, how American workers could compete with these lower priced goods. The simple truth is they cannot and maintain decent wages, health care, pensions, and raise their children to be educated to a higher level.

Government has tried to pass universal health care. The financing of any government program is through a tax structure on workers employed in an industrial based society. The only way the American industrial worker can compete under GATT would be to lower the bar, give up health care, pensions, wages and benefits and become a wage slave. There is no tax base there, Senator Kennedy.

The rosy picture of global free trade is when we are all the same. Global corporations will somehow treat their workers better. I just do not believe in the benevolence of global corporations.

I would like to testify today for those who have no voice or say in this matter, the children. Today, as we speak, children in India, Pakistan, Bangladesh, China and Korea are being sold to factory owners and locked in boxes in deplorable conditions with sewing machines, as slaves to produce goods. Their only speck of hope in a hopeless situation is that perhaps in a country such as America, someone will say no and take away the market for their exploitation. Under GATT the American worker cannot stop this exploitation. U.S. Senator Tom Harkin has filed a bill to prevent the import of products produced by children under 15 years old. Under GATT that bill would be illegal. Human rights, environmental protections and labor standards are as nonexistent in GATT as they were hollow in NAFTA.

I remember reading a book, Robert Kennedy's *His Life and Times*. Robert Kennedy, visiting sharecroppers in Mississippi, witnessed the squalor they lived in and cried. I fear we have forgotten how to cry. Does the multinational corporation mean more today than human suffering?

No tariffs to protect wages, no laws to protect the enslaved and exploited, more profit for the global corporation, more unemployment for American workers, are the results of Al Gore's, quote, tax cut.

The proponents of GATT say when goods are cheaper and profits are higher, investment will follow to create jobs. Have they ever heard of corporate greed? I negotiate with a global corporation, General Electric. GE made a \$6 billion profit last year and has had consistent profits over \$4 billion. You would think there would be room for benevolence. Their bottom line was to cut medical benefits, deny pensioners cost of living adjustments from an \$28 billion fat, over-funded pension plan in order to remain, quote, globally competitive, with a \$6 billion a year profit bottom line.

In closing, Senator Kennedy, GATT gives to the greedy and takes from the needy. Please vote against it. Wake up to reality.

Crime, welfare and taxes, the political theme of 1994, is, in my opinion, a social extension of recession. Mr. Romney would have us believe our economy was the teenage pregnant girl from the inner city's economically depressed neighborhood. When he visited these neighborhoods he said he would never invest there as long as the

crime rate was high. No more prisons, stiffer penalties for crime, give everyone their own assault rifle, eliminate welfare, were his answers.

When I was a child I saw the poor farms in Lowell and Tewksbury and the paupers' graves. That is where people who did not have Social Security went. With the loss of revenue of tariffs, Vice President Gore's hundreds of billions will be made up from social program cuts, perhaps Social Security, Medicare or AFDC funding. The corporations will not invest in our cities. I feel the poor farms are on their way back. After all, what are we going to do with these people?

The most impressive testimony I heard during NAFTA was from Charles Rangel, Congressman from New York City. Mr. Rangel said NAFTA would take an economically depressed area, bring in jobs, build infrastructure, build a new consumer base, give wage concessions initially, but eventually build a new social, consumer based economy in Mexico. If it was such a good idea, then why can't we have it here for our own depressed cities? Because we have laws here, that's why.

Senator Kennedy, I urge you. I urge you to look at this from a human perspective and look at the hope that people have in this country and reject GATT. Thank you.

The CHAIRMAN. Mr. Haynes. I gave you a nice introduction.

Mr. HAYNES. Thank you very much. I appreciate that.

Senator Kennedy, before we begin, on behalf of Joe Faherty and the Massachusetts AFL-CIO, I would like to congratulate you on your recent campaign. I think you clearly showed your courage and commitment and expertise in government, and your support of working people certainly did not go unnoticed in the Commonwealth of Massachusetts. So a hearty congratulations from all of us.

Also to President Bywater, it is a pleasure to have you back in our State. As is Senator Kennedy, you are recognized as a champion of working people in Massachusetts and we appreciate your efforts in this regard and others. Thank you very much.

Mr. Chairman, for the record, my name is Robert Haynes and I am the Secretary-Treasurer of the Massachusetts AFL-CIO. I am representing our president, Joseph Faherty who was unable to be here today due to a prior commitment.

We appreciate your holding today's hearing to assure the working people from the Commonwealth can testify on the Uruguay Round Trade Agreement.

The AFL-CIO believes that the Uruguay Trade Agreement offers little if anything positive to U.S. workers, and in certain respects will directly harm their interests. They have failed to bring equity and reciprocity to the international trading system, and may create pressure to harmonize downward essential protections afforded by production, consumer, and environmental laws and regulations.

We are particularly concerned that these agreements, if implemented, would severely limit the ability of the U.S. to fashion policies and take actions to reduce this country's persistent and growing trade deficit. And for an agreement that expands trade rules into so many new areas, the failure to address workers' rights and standards is a devastating omission.

The AFL-CIO urges Congress to reject the Uruguay Round implementing legislation.

When the Uruguay Trade Negotiations formally began in 1986, the U.S. merchandise trade deficit had reached the previously unimaginable level of \$138 billion. While shrinking somewhat over the last few years, the trade deficit is again growing rapidly and is projected to reach a record \$160 million level in 1994. Over the last 12 years, the United States trade deficit has totaled one and one-half trillion and has transformed the United States from a creditor in 1985 to currently the largest debtor Nation in the world.

Central to America's trade problem is the imbalance in manufactured goods trade. Twelve years ago, the United States enjoyed a trade surplus in this vital sector, while 1994 will show a deficit of more than \$130 billion. In fact, while total imports doubled over the past 12 years, manufactured imports surged from 54 to 83 percent of all imports. This rapid and massive shift in trade has severely weakened America's industrial base, and has had a major negative impact on employment and income. While total employment has grown over the last couple of years, that growth has taken place solely in the services sector. Since 1986, almost one million manufacturing jobs have disappeared, while the average weekly manufacturing wage, adjusted for inflation, declined 6.2 percent.

These substantial shifts in the structure of the United States economy have contributed to the significant increase in poverty in the United States. Last year 39 million Americans were living in poverty, according to the Census Bureau, including millions of full-time workers. In 1993, 15.1 percent of Americans had incomes below the official poverty line of \$14,763 for a family of four.

Commenting on these statistics, Secretary of Labor Reich said, "This is a continuation of a 15-year trend toward inequality. We have the most unequal distribution of income of any industrial Nation in the world. Unless we turn this situation around we're going to have a two-tiered society. We cannot be a prosperous or stable society with a huge gap between the rich and everyone else."

And I might add, that is what a Third World Nation is, a big gap between the rich and the poor, and that is a serious, serious problem for the United States if we continue to go down that path.

Over the 15-year period noted by Secretary Reich, the U.S. trade deficit grew to unprecedented levels, with good, well-paying jobs being sacrificed on the altar of free trade.

The Uruguay agreement represents the culmination of a U.S. government policy that believes trade and investment liberalization, under virtually any circumstance, will benefit America. In contrast, the majority of this Nation's trading partners approach global trade negotiations with the objective of maximizing domestic production and employment. The United States alone seems fixated on economic abstractions, and that focus has resulted in massive trade deficits, massive worker dislocations, declining real income, and increasingly skewed income distribution. The human and social costs of this policy have been devastating to American workers.

Rather than creating structures that would help reduce this country's increasing trade deficit, the Uruguay agreement will make it much more difficult for the U.S. to take action to defend

its national interests. In this regard, the establishment of the World Trade Organization to replace GATT, and with it a binding dispute settlement mechanism, is a major concern of the AFL-CIO. While the concept of creating a structure that can enforce agreements freely entered into is not necessarily bad, the ultimate value of such a structure rests on the kind of rules it has to administer and the public's confidence that it will administer those rules fairly.

Under this agreement, actions against WTO cover unfair, unreasonable, or discriminatory trade and investment practices that are in dispute or require the prior authorization of the WTO. That authorization would be given by a panel of experts, and its decision, pending a review by a permanent appeals panel, would be binding. This is a major change from existing procedures, and has far-reaching implications for the operation and implementation of existing U.S. laws. For example, language in the proposed agreement requiring dispute settlement would appear to severely restrict the use of Section 301 of the Trade Act without prior WTO authorizations.

Further, the Uruguay agreement has greatly expanded the new WTO's jurisdiction over governmental practices, and consequently, the United States would be restrained from taking unilateral action against anything covered by the agreement. Even for practices not addressed, like worker rights, competitive policy, market access for audio-visual goods and services, and some forms of environmental protection, this expanded coverage represents a severe limitation on remedies that could be employed by the United States.

It is important to emphasize that the proposed agreement is far different from previous trade agreements because it addresses governmental actions that heretofore had been considered purely domestic in nature. Therefore, it may inhibit, if not prevent, the strengthening of domestic laws and regulations in areas such as consumer and environmental protection.

Since the proposed agreement does not provide for mechanisms to deal with external imbalances, it will greatly restrict the ability of the U.S. to deal with bilateral trade problems, like the \$60 billion trade deficit with Japan. Any agreement with Japan that has teeth, or any unilateral action taken by the United States, would run afoul of the requirements imposed by the WTO and be subject to challenge and sanction.

The proposed agreement is particularly harmful to U.S. workers by phasing out needed regulation of trade in textiles and apparel.

United States trade negotiators rejected the more than 30 year recognition by successive administrations that apparel and textiles are import sensitive. They followed the path laid down by the prior administration by actively pushing for an end to the Multifiber Arrangement. Even though MFA was inadequately used in the last decade, it provided some job protection for the workers employed in the United States industry.

Ending all controls on textile and apparel imports, even through a 10 year transition, threatens 1.7 million workers employed by those industries, plus additional hundreds of thousands of workers in supplying those industries. And the price for liberalized trade would be paid by those who can least afford it.

Regrettably, the Uruguay did nothing to address the cruelest and most prevalent trade subsidy of all, the suppression of human and workers' rights by governments seeking a low wage, low standard comparative advantage on the world market. Even proposals to create a process for studying inclusion of basic, internationally recognized workers' rights in GATT have been stalled by those who wish to keep the benefits of world trade as the private preserve of the privileged few.

World trade will not improve living standards significantly unless ordinary working people have the right to associate freely, the opportunity to share in economic progress and thereby the power to create broad markets for goods and services. A strong workers' rights clause in GATT is the only practical way of ensuring that governments that want to enjoy the benefits of the world trading system respect the rights of their citizens.

Some have attempted to characterize this issue as a conflict between the developed and developing worlds. When it comes to working people themselves, nothing could be further from the truth. Protection of workers' rights has long been a priority of democratic worker organizations in nearly every country, whether or not they are highly industrialized.

The fact is that trade and workers' rights are already linked. The burning question is whether that linkage will serve working people and their aspirations for a better life or facilitate only those who would profit from exploiting them.

The AFL-CIO is greatly disappointed in the outcome of the Uruguay Round negotiations. U.S. sacrifices, particularly for textile and apparel workers, loom large, while opportunities to bring equity and fairness to the international trading system have been sidetracked or lost. The United States has apparently decided to continue its outdated role as the guarantor of the trading system by accepting disadvantageous and nonreciprocal treatment. The massive and continuing trade deficits of the past decade, and their human cost, have been ignored.

The Nation can no longer afford to turn its back on its most vulnerable citizens in order to promote the interests of the privileged few. Congress should reject the Uruguay implementing legislation.

Senator, as a friend and a champion of the rights of workers for your entire working lifetime, please stop this travesty and insist on rights, protection, equity and dignity for workers here and abroad.

Thank you.

The CHAIRMAN. We're going to get into some of these, not all of the points, but I thought we would go through the panel, and then I have been writing down some of these matters that I would like to ask Mr. Shapiro to respond to, but we will hear from our full panel first.

Miss Wallach, I appreciate very much your being with us.

Ms. WALLACH. Thank you for having us here. I would like to ask you to consider this monumental decision from a slightly different perspective. The past witnesses have focused on vital issues—

The CHAIRMAN. Bring that mike a little closer.

Ms. WALLACH. Mr. Chairman, thank you for the opportunity to testify on the extremely important issue of the Uruguay Round Agreement negotiated under the auspices of the General Agree-

ment on Tariffs and Trade and the World Trade Organization that it would establish. My name is Lori Wallach. I am the director of Public Citizen's Trade Program.

No one disagrees that the decision now facing Congress is one of the most monumental in decades. However, to date, there has been little discussion about whether or not the United States should join the World Trade Organization. Much of the discussion that has occurred has been couched in economic terms. Economics is only one element of the agreement. Unlike past trade agreements, such as NAFTA, additionally at stake with this decision is whether we will join a powerful new international organization, the WTO, with jurisdiction and functions that reach far beyond traditional trade matters. As a member of the WTO, the United States would have the same one vote as every other Nation, including the tiny island Nation of St. Kitts or Singapore, and none of the sovereignty protections provided, for instance, by our veto at the United Nations, or weighted voting at the World Bank and International Monetary Fund.

U.S. membership in the WTO has broad legal and political implications that are at least as important as its economic effects. The decision on the Uruguay Round and its WTO will directly affect the future ability of the Congress and other legislative bodies around the world to maintain and in the future implement policies to regulate commercial activity to guarantee their inhabitants' well being and health on matters as comprehensive as child labor and food safety to local taxes and environmental protection. This is the case because the WTO contains 600 pages of substantive regulations to which all members' domestic laws must conform and strong enforcement powers through tribunals capable of authorizing trade sanctions against countries whose laws do not conform. The effect on U.S. sovereignty and state-Federal relations of the WTO is of such great proportion that Harvard Law Professor Lawrence Tribe has written President Clinton, senators and testified that such a rearrangement, if desirable, must only come after a treaty vote by two-thirds of the Senate.

The WTO regulations uniformly place the goal of maximized liberalized trade above all others and enforce such an agenda through powerful anti-democratic processes. The WTO does not even have the weak side agreement on labor and environment of the NAFTA. Attempts by U.S. negotiators to set up formal WTO committees on these issues were rebuked, resulting in an informal 2 year environmental working group and merely the agreement to consider labor rights as an agenda item at a future WTO planning meeting.

Public Citizen has been involved since 1991 in efforts to ensure that the Uruguay Round agreement did not undercut domestic standard of living protections, such as our labor, health, safety and environmental laws, nor the domestic policy-making procedures in these areas that ensure access to interested citizens and accountability over decision-makers. Our analysis of the Uruguay Round text and its implementing legislation has led us to join the unanimous conclusion of the U.S. environmental movement and the conclusion of almost every U.S. citizens' group that has taken a position on GATT. The Uruguay Round proposal poses a serious threat

to vital U.S. Federal and State labor, health, safety and environmental laws and policy-making mechanisms.

In fact, it is our conclusion that the Uruguay Round Agreement poses the single greatest and broadest threat to such citizen protection laws and the democratic establishment of such policies. It is on this basis that we urge the Congress in the strongest terms possible to reject this agreement and send it back for renegotiation.

[The prepared statement of Ms. Wallach may be found in the appendix.]

The CHAIRMAN. Just before calling on Peter Meade, there are a number of issues that have been raised. I think Ms. Wallach also raised earlier some of the technical kinds of questions dealing with sovereignty of the United States and the relationship of various powers to an international organization. And I would like to ask Ira Shapiro to address some of those, because those are very, very powerful arguments. And I think they are matters of very considerable concern and I want to give him at least the opportunity. He was out of the hearing very briefly during the presentation. But nonetheless, I think it is important for an analysis of exactly what part of American sovereignty are we relinquishing to the WTO, and the reasons for it.

Commenting about secret tribunals, talking about restrictions and outside appeals, talking about the lack of review of various conflict of interest rules, talking about the impact that this could have on existing statutes, for example, in terms of environmental protection, food safety laws, labeling laws, requirements for watering down those proposals. Recognizing that even under the proposal, that if there was not going to be a retreat on these specific laws, that there would have to be other kinds of accommodations, either in compensation or in terms of further adjustment on trade issues, on other products that we might not know about. Those are very, very important.

Let me start out by saying in a broad stroke we currently have an organization internationally that doesn't do anything today in terms of protecting American workers. There is an argument, and maybe this doesn't do it, that says perhaps you ought to try and develop organizations that are going to provide some protection. I for one am not satisfied that there are in existence in this agreement—anyone that would have to say that they are for the protection of workers is going to have to be challenged as to what they are going to do in any kind of follow up agreement to make sure we are going to get some real teeth to try to protect workers' rights in these areas, because when this was negotiated, seven, 8 years ago, it was done by administrations that didn't put the priority on workers' rights that I put on them, and that has been testified to today. But make no mistake about it, if you go back to the old order, you are not going to get any kind of enforcement.

Once you move toward trying to get some kind of enforcement you get the legitimate kinds of questions that are raised here by this witness, well, if we give them some authority, we give them some responsibility, we give them some power, we sacrifice sovereignty. So there's a question about how much we really do and will it work, or are we buying a pig in a poke. And I think that this is a very legitimate public policy issue and question.

I am told that Peter Meade has a medical appointment that has to be tended to, so I will ask him to speak first and then we will come back to Ira Shapiro. One thing that we are hopeful of being able to have with Mr. Meade is to address some of the issues about the implications by the New England Council and others in terms of jobs and what it is going to mean for jobs here in Massachusetts and in New England over any period of time. This is an element we're going to have a lot of differences on and I think we would want to address a lot of these kinds of questions. We are going to have a lot of differences clearly in it. I think Mr. Bywater pointed out very legitimate kinds of concerns. We do not expect that we are going to have all the answers.

I want to thank Peter Meade for being here this morning. He's worked in the New England Council, the chairman of it, and I must say he is a member of the delegation. The priorities that they have placed in terms of jobs and employment and working with us on this is something that has been enormously helpful in terms of establishing the credibility of the organization. We are all going to have various agreements and differences here today.

We want to thank you very much for coming here today. We will hear from you and then excuse you and then I will get back to the other question.

MR. MEADE. Thank you very much, Senator. Good morning. I hope I am more popular in the operating room this afternoon than I expect to be here this morning. [Laughter]. I at least will have anesthesia there.

Senator, my name is Peter Meade. I am the President and CEO of the New England Council and I thank you, Senator, for the opportunity to appear before you today to discuss the Uruguay Round of the General Agreement.

Just a few observations. First, nothing, nothing in the Uruguay Round affects the sovereignty of the United States of America or of the 50 individual states. Forty governors have come out in support of the agreement and three presidents have worked on it. I ask you rationally, is it at all likely that the United States' last three presidents would concoct a plan to concede our sovereignty? As you, Mr. Chairman, well know, only the Congress of the United States has the authority—as I repeat, as you well know, Senator, only the Congress of the United States has the authority to change U.S. law.

The New England Council urges you, Senator, to vote in favor of the legislation to implement GATT. This agreement will significantly benefit the businesses and people in Massachusetts. It will generate economic activity and create high wage jobs.

Passage and implementation of the GATT is a step toward sustaining the emerging economic recovery New England is now beginning to realize. It is a step, a very significant step, but only a step.

A few points are worthy of mentioning before I get into the specific benefits for Massachusetts and for New England. The first is that GATT is the most comprehensive trade agreement in history. Because GATT is so comprehensive, it will be crucial to carefully monitor the impact on our industries, workers and our economy, both long-term and short term, so that we can measure all consequences expected as well as unintended.

Although we often talk of the importance of free trade, fair trade is just as important. The Uruguay Round increases fairness by applying a new and improved set of rules for all GATT member governments. Under the current system, GATT countries can pick and choose the standards they will adhere to. For example, only 25 of the 123 GATT countries have signed on to the GATT Subsidies Code and only 46 have signed on to the GATT Standards Agreement.

There are some minor exceptions but the proposed GATT agreement that will come before the U.S. House and Senate next week severely limits the ability of countries to gain economic benefits of trade without minimum standards of protection.

For the first time, GATT will bring services under Fair International Trade rules. In New England it is the services sector that is creating the new jobs. Massachusetts engineering and construction sectors will have increased potential to expand globally under the services agreement reached in GATT.

For the first time since being established in 1947, GATT includes governing intellectual property rights. That will change if Congress approves the new agreement next week. These new GATT rules will protect U.S. patents, U.S. trademarks and copyrights from infringement by foreign companies. The American Electronics Association states that in 1992 alone losses from the piracy of intellectual property were estimated to be over \$15 billion.

According to the Massachusetts Computer Software Council there are over 1800 software companies in Massachusetts alone, working in an industry that employs in our State some 95,000 people. Software has long been an easy target for piracy around the world. This agreement, by requiring countries to provide full copyright protection for software, will end this piracy. In fact, the terms of protection must be the same as provided to literary works.

Similarly, environmental, biotech, pharmaceutical, electronics and other high technology companies who collectively spend millions of dollars on research and development to remain competitive will be protected against the loss of their investment by this agreement.

Here in Massachusetts there has been an effort to attract and retain growth industries. Biotechnology is a recent and prominent example. As a result of Federal, State and city assistance, the Genzyme Corporation of Cambridge decided to locate a new State of the art manufacturing plant in Allston. The patent protection in the agreement will be very helpful for Genzyme's continued success and to other companies in biotech.

Today many developing countries provide protection only for the process of manufacturing a pharmaceutical but not for the resulting product. This protection is weak because once a pharmaceutical product has been developed, once it is developed, there may be several methods or processes for producing a particular product. Product protection in the GATT will fill this void.

There is no question that fairer international trade rules will make the U.S. and Massachusetts more competitive.

In addition to strong trade rules, the Uruguay GATT will lower tariffs worldwide by a third. This savings goes right to the business bottom line, freeing up resources for investment in people, products

and research. Most importantly, however, may be that GATT opens previously closed markets to the U.S. goods and services. All over the world economies are developing rapidly. GATT is an unprecedented opportunity for our companies to do business in some of the largest and fastest growing countries in the world.

The New England region, particularly Massachusetts, is highly dependent on exports for economic activity. We are a trading region. Our success is inextricably tied to our ability to increase exports. In fact, according to the Federal Reserve Bank of Boston, New England is more dependent on the jobs created by the exports of manufactured products than any other region of the Nation.

It was troubling that a recent Bank of Boston study found that New England under exports compared with the Nation as a whole.

As you see, Senator, from 1987 to 1993 the increase here for Massachusetts in exports and the U.S. in exports—here are percentages. The United States has had a 90 percent increase in exports while Massachusetts has had a 39.8 percent increase in exports. We trail the rest of the Nation in our increase in exports that has happened over the rest of the country. For New England as a whole, Vermont has had a huge increase in exports, as is quite obvious here, largely in the computer field. For the rest of New England, while the other states do not have the same dollar amounts we have, there is a percentage of increase that is lower for Massachusetts. I would remind the committee that the Federal Trade Representative estimates that export jobs pay on average 17 percent higher.

We in the New England Council believe that our region needs a trade promotions strategy to improve what we do in exports and that GATT is a critical component of that strategy. For these reasons the Board of the New England Council voted unanimously last Thursday to support passage of the GATT now by the 103rd Congress.

Senator, I know you will be urged by some who will say to you, you owe us a vote on this because we did this for you. There will be some who may say to you, Senator, because the President and First Lady campaigned so hard for you, you owe them a vote. We in the New England Council humbly urge you to do what is the right thing for the citizens of Massachusetts, which is what you have done throughout your career. And we represent to you, sir, that that would be a vote in favor of the GATT agreement. Thank you.

The CHAIRMAN. Let me ask you, on those percentages, those are basically percentages. How do you read—do you have any reaction to what has been mentioned earlier about what has happened from NAFTA, that the economical community has not been positive in terms of the American economy versus NAFTA and that that is going to be the circumstances in terms of the future?

Mr. MEADE. We think just the opposite is true. I would be willing to provide the committee with some reports on that. Our expectation has been fulfilled really that there has been an increase in exporting from the United States to Mexico and from Mexico to the United States. I do think there is a mistake made by a number of people who expect that somehow exporting is a zero sum game, which means we lose. We believe it is a process that increases the

pie for everyone and therefore more jobs. So while it is certainly early, we have not heard any sucking sounds, Senator, as we were all warned over a year ago.

Mr. Chairman. You have heard the concerns of those that are in the manufacturing sector. I think it is pretty much of a given that you are talking about the telecommunications, the biotech, electronics, and other areas, that there are obviously protections. I think there is a real question about simplification in terms of manufacturing and I think all of us understand this condition. Industry is not a manufacturing country. We do not have the industrial strength for our national security or national well-being. [Applause]. And I think that those are the good jobs that are important with good benefits and the kind of future that I think all of us are interested in. And I think that this is a legitimate question, what is going to happen, whether the kind of downsizing that we have seen and been commented on earlier during the course of the hearing is going to be accelerated in a way that moves us in a more rapid way toward the bottom. We just end up being a nation that is taking in each others' laundry, so to speak. This is a very important issue and a question I think people that come to this issue, come to it with the awareness that when this was negotiated, it was not negotiated with the interest of promoting manufacturing jobs. I mean, that's just the history of it, and the concern that those that have jobs want to hold them and expand them, have very, very legitimate kinds of questions as to what this whole agreement is going to—its impact is going to be on manufacturing. And we are going to hear in a second from people that can speak much more eloquently about this than I can.

I would hope that the Council itself is concerned about this aspect of our whole economy. I am sure it is. But I think that this is something that obviously is a key element in terms of our whole consideration.

Mr. MEADE. Thank you, Senator. There are some places where we presently have not been able to bid on, for example, steam turbine engines in Europe, where the market is literally closed to us, to some of the things we manufacture here in New England. Some plastics industries that are closed to us around the world that the GATT agreement would open up. So for some of the manufacturing items that we create here in Massachusetts, GATT would open some further doors for us. We would be able to bid where presently we are not even allowed to bid.

The CHAIRMAN. I will ask you. I know you have to go but I will ask you if you could supply for us, in as much specificity as you can, what your analysis is in terms of manufacturing. I will get brief comments here.

Mr. HAYNES. Just a brief comment. I know Peter well. Good morning, Peter.

Peter obviously clearly is an articulate spokesman for the business community. I think the New England Council has really come together under his leadership. I wish Peter and the business communities in New England would help us in labor understand how this helps us. I see this as an extension of NAFTA. None of the rules associated with GATT or with NAFTA do anything to protect the rights of workers. They do not help us organize. They do not

help us with safety. They do not help us with wages and benefits. They do not help us with repression of the work force, the GATT case in particular, around the world. We just had a delegation of African labor leaders in during the time of the campaign and they spent most of their time talking to us about how they were repressed by the business community and the governments in Africa. And we know that takes place in China and other places around the world. As a member of organized labor, I am interested in workers' rights, not just here in Massachusetts but around the world. And until we get to a point where people can live in dignity and have decent wages and benefits and have the protections of safety, we're not going to go anywhere. I would suggest the business communities in this country help organize labor, help working people understand how this agreement is going to help bring that to fruition. [Applause.]

The CHAIRMAN. Do you want to add something?

Mr. RUITER. Yes. Mr. Meade, I understand you gave an interview this morning on the radio and you mentioned, as you just mentioned, General Electric Company and the medium steam turbine business. I have worked for 30 years. I started working for General Electric Company December 7, 1964, in the medium steam turbine business. There were at one time over 6,000 people working in the medium steam turbine business in the General Electric plant in Lynn. Today there are 285. The business of the medium steam and industrial and marine turbine plants are now in Korea with Hyundai and Mitsubishi which the General Electric owns a large portion of. The business went there because they did not invest here. I fight constantly, every single day of the week, in direct one on one contact with Jack Welch, the CEO of General Electric Company, trying to get him to invest here. He is currently building in India a plant to produce dishwashers and washing machines, where we represent over 7,000 people in Louisville, Kentucky, manufacturing that product. And when we questioned the General Electric Company over this plant in India to build dishwashers and washing machines, they stated, we are only going to build 5 or 600 a week over there and it is purely for the Asian market. I said, why not more? Well, currently they do not have the infrastructure and when they get the infrastructure, Louisville, Kentucky, will go there. All we're going to be left here in this country is intellectual property rights. People who gain the profit. [Applause.]

The CHAIRMAN. The other part that has been brought up, not here today, is just with regard to the protections. I know GE with regard to workers down in Mexico, the way they are treated down there, even under NAFTA, and the summarial dismissal of a number of workers who were attempting to organize, and the harshness with which they were treated. For the most part these are government run unions down there in Mexico. That is not a profound statement, it is reality. And so the kind of facts we talk about are these grafts and trying to get some kind of fairness. You say you put in the various rules and regulations. They have all kinds of ways of getting around them. I think it is a legitimate question when you do not have the protection of NAFTA, just with regard to Mexico, what are you going to have in terms of these other world areas?

I want to move on but I think that it is a point that was raised earlier and which we will come back to with Ira, where we have international corporations that in many respects owe very little obligation to any country. And many of them unfortunately have developed here. This has happened in terms of the business effort of our country. They just move. Around a generation ago, there were so many cut throat business people around this region and country. But there is a deep sense in terms of being locked into the American experience. That feature, to a major extent, has altered and changed, and with it I think has come the lessening of a real kind of commitment in terms of the employees that are working in these areas. How we are going to do it legislatively or what we can do is something we have got to give a very hard look at. But this is something that I think is a very legitimate concern as a matter of national policy, not only in terms of this specific, but this is the specific area that we're concerned about today. So hopefully we can get additional kinds of attention and interest and response to these kinds of concerns in the community.

Mr. BYWATER. Senator Kennedy, I would like to say something. The basic thing involved in this whole business—I will give you one example. I have negotiated contracts practically all of my adult life and in the negotiations I would never permit a company to come and say here is the contract, that is it, you have got it. There is no vote on it. That is it. That is the contract. What you have now internationally is exactly that is what has happened. The ones that negotiate the contracts, whether it was NAFTA, whether it was the GATT or whether it is WTO that is involved, it is done by corporate attorneys only. Corporate attorneys are the ones that are involved. Now they are hired by a corporation. Their interest is in serving that corporation and making a maximum profit. And they follow whatever that corporation wants them to do. That is the kind of people that negotiate. Unions aren't involved in that. Labor doesn't have anything to say. You will never see anything about labor rights in any of those agreements they made up. Never will because they are not interested in them. So what has happened around the world now is the multinational corporations have too much power. They have power over countries. They decide where to go to move their product any place they want.

I heard an argument. I was in a debate with someone the other night. They are talking about, oh, well, you know, free trade. We got to have free trade, and talking about what the theories were back in the 1800s. It is not that way today. A Banana Republic, for example, doesn't just export bananas. They are exporting electronic equipment. They put plants in these little places and they exploit the workers. That is what we have today. It is the multinational corporations that actually have all the countries by the tail. For example, there is going to be a dispute that we will have in the WTO. Do you think that Malaysia is going to be the one to follow this dispute? They will follow it. They will follow it. They will not know what the hell they are doing but they will follow it. They will do whatever bidding of the multinational corporation that is in Malaysia tells them to do. And of course they are going to do it because, hey, their money is—they are getting pay now from multinational corporations. They are lining their pockets. That is

what happens. And that is the problem we have. And you do not have real control of those multinational corporations but they have control over us. That is why this agreement stinks, as far as I am concerned. [Applause.]

The CHAIRMAN. All right. Thank you, Peter Meade, for being here. We really appreciate your being here. We wish you luck this afternoon.

Mr. MEADE. Thank you very much.

[The prepared statement of Mr. Meade may be found in the appendix.]

The CHAIRMAN. This comes back to the subject that Mr. Bywater said. You have that situation currently. You are going to have that situation if you do not have GATT, just as described by Mr. Bywater. And you have the situation that has been testified to in terms of Ms. Wallach about the surrender of the sovereignty by the U.S. So actually that is going to be taken by the tribunals, will adversely impact in terms of health or safety of workers or whether it is going to be in other kinds of conditions which I outlined earlier. That is part of the, you know, the question. I think it is a legitimate question. Whether that is structured is really going to protect workers in the way that Mr. Bywater and others and that I would like to see them protected. I do not think it does do it, but I would like to give Mr. Shapiro, if he could recall my question that I asked him a half hour ago, I think he knows what it is, because it deals with the issues of sovereignty, the issues of enforcement, the issues of procedures, the sacrificing of the U.S. interest and many other issues that have been summarized by Mr. Bywater, I would like him to respond.

STATEMENT OF IRA SHAPIRO, GENERAL COUNSEL, UNITED STATES TRADE REPRESENTATIVE

Mr. SHAPIRO. Senator, I appreciate the opportunity to be here for the Clinton administration at your invitation and try to give you our common sense reason for why we are supporting this agreement.

Bill Bywater and the others on this panel are about the most eloquent critics you can come up against, and so I will not try to completely win you over, but I would like to try to explain why we are, where we are and very briefly—may take 10 minutes, I will try to do it as quickly as I can and then stay around and talk.

Bob Haynes raised a point about us being fixated on economic abstractions and I do not think we are. The Clinton administration is made up of people who came to office as critics of the economic and trade policies of the 1970s and the 1980s. Go through what they were doing and where they were, whether it was when Bentsen, Secretary Bentsen, was in the Senate, Secretary Reich, when he was writing about trade problems, Jeff Garp, Ray Tyson. I learned some of my trade policy when I worked in the Senate for Tom Eagleton and Gaylord Nelson and J. Rockefeller. And I have been to plants that have closed for a lot of reasons including trade policy. So I come to it from a Democratic perspective. When Senator Kennedy and I met in 1984 he was putting together a task force in the Senate to talk about what we had to do to improve our economic position. Lane Kirkland was involved in that group at the

time. We had Lee Iacocca come in and try to do the business perspective as well.

One of the things we believe is that for a long time this country practiced one way trade policy, and by that I mean we came out of World War II with such a strong economy, with no competition around the world, that we basically could open our market up and not worry a heck of a lot because there was no real competition. And we had a strong unchallenged domestic base as well. That policy made sense then but we stayed with it far too long. Worked through the fifties, maybe into the sixties, but we kept staying with the same policy. And, you know, at the time when Japan and European countries were coming on as competitors, we just kept going along on the same direction and I think it has cost us jobs in the past. And the trade numbers are clear on that. I think we are also dealing with a problem that we all know about of technological change where some of our best manufacturers, some of our best workers, you can produce a heck of a lot more in our country with fewer workers and that is a problem we are all dealing with.

When we came to office we looked at this Uruguay which had been there negotiated by the previous administrations, and we looked at it pretty skeptically. It was dead and the negotiations had stopped at that time. And what we concluded, with certain changes, was that the Uruguay was in the U.S. interest and not just in the interest of multinational companies, but in the interest, in our view, of U.S. workers and U.S. farmers and U.S. companies. And the reason we thought that goes to what Senator Kennedy was saying. Right now the trade picture around the world is unbalanced. Right now multinational companies go around the world pretty readily. And one reason—not the only reason, Bill—but one reason they do is because there have been so many trade barriers in foreign countries, that if you wanted to be a part of the economic action in these countries where middle classes are starting to develop, you ended up going into those countries. And that is what has been happening. And so in a lot of cases you could not sell into those countries from the United States.

The reason we are for this and the reason we have spent a lot of time—and we have not convinced you—spent a lot of time with Lane Kirkland, Tom Donahue, many others in the union movement, I have been with the Labor Advisor Committee—have not convinced them either—but the reason we are for it is because we ultimately believe this is not just free trade. We believe this is fairer trade. We believe that for the first time we're asking other countries to open their markets and come up to our level of openness and that we are going to be able to trade into those countries. And I know you may say you have heard that before but I do not know that you have heard it from the administration. What we are talking about here is a situation where—and I am talking manufacturing now—the United States is four percent of the world's population. We are a mature economy. There is only as much demand as we can generate. For a lot of things, the markets that we ought to be serving, and from here, the markets we ought to be serving, whether it is in jet engines or environmental technology or the kind of power generating equipment and generation plants that Bill has talked about and that Mr. Ruiter has talked about, we ought to be

building those here for our market and for foreign markets. What we have tried to do in this agreement is open those markets. They are the ones that are reducing their tariffs because ours are already low. They are the ones that have to take down these non-tariff barriers because we do not have any. They are the ones—and somebody commented, I guess it was Bob Haynes, about the intellectual property issue and laughed about it a little bit. But there are a lot of union workers who are involved in making movies, sound recordings, publishing books. I mean we are not just talking about the people at the top. We are talking about people who make things. And right now we are going to make a lot more of those things if our intellectual property is protected. So that is what we are talking about.

We are attempting to make up for an unbalanced situation that has existed for twenty years and to level the playing field for U.S. farmers, workers and companies. I am not saying it is going to be easy, because of these technology changes and because there is a lot of competition, but right now, if you look around the country, we are making progress. We have gone from more than seven percent unemployed to below six percent but we are also seeing an increased manufacturing output. The auto industry, which people were writing off a few years ago, we are making better products. We are selling a hell of a lot of U.S. cars. We are beginning to sell the cars abroad. We have always sold machinery made in the U.S. abroad, not as much as we would like, but we are opening the European market for precisely the kind of turbine equipment you are talking about. And it just—I am not asking you to vote positively on the last thirty years where this country has been. I do not think it has been in the right place, and none of us do. But what we are talking about now is whether we are better off with what we have got now or whether we are better off with a trade agreement that opens markets for U.S. products.

Now, in terms of a lot of questions that have been raised by Lori Wallach, who is a very effective advocate on the sovereignty issue. I agree. No trade agreement, even if it was beneficial—and Bill and Bob and Charles and others disagree with me—we shouldn't be doing a trade agreement if it infringes on U.S. sovereignty. But we have spent—we spent the negotiations last year and we have spent this year in the implementing legislation to make sure that that was not the case. And we have put in the legislation repeatedly provisions to back up the agreement and make sure that sovereignty is protected. A lot of the charges that critics have made are not fully accurate. There are some that I think are accurate. We have agreed on certain things because we do not think the dispute settlement panels are open enough. But a lot of these other charges, you are being asked to believe something that I do not believe is accurate. Federal law, if there is a conflict between this trade agreement and U.S. law, U.S. law controls. There is no panel decision and no WTO decision that can make us change our law. There is no effect on State law that requires change in their law either.

Now, the panel decisions, a lot of talk has been given to those over the years. It is true there is a change in the panel process. It is a change we favor. U.S. Congress told us to negotiate a better

dispute settlement system and the reason they told us to do that was throughout the 1980s, whenever we challenged the Europeans and the Japanese and won a panel in Geneva, nothing happened. No practice changed. No illegal practices changed. And the reason was that any member could block the panel decision and the U.S. Congress in the 1988 Trade Act told us, get us a more effective dispute settlement system so if we go after somebody's practices and win a case, that those practices will either have to change or we will get some compensation for it. That is the system that we are going to have, but it is not a system that requires us to change our laws. If we decide we have got a law—the Domestic Contents Law was raised, the telecommunications law. It is a good example. Mickey Kantor did write to John Dingle and said, I am concerned about this telecommunications law because it has domestic content in it. It may not be consistent with our international agreement. We wrote that letter, first, because we did not think it was consistent with the International Agreement that we had already been in, the GATT, but second, because we are hammering on other countries in Europe, in Japan and throughout the world to open up to our telecommunications products. We export—and someone from the community representing the communications workers who knows his industry better than I will be here later to talk about this, and he won't agree, but we exported \$10 billion of communications equipment last year, high end stuff, mostly switching equipment. We do not want the Europeans and Japanese and others—and we are going to build a telecommunications system in Saudi Arabia from the United States, much of the work done in the United States by U.S. workers. So that is the reason Mickey Kantor wrote that letter, because we have an interest in selling our products.

Two other things. I obviously could go on at great length about this. You hear a lot about the secret tribunals deciding the fate of U.S. laws. And we agree that the panel process is not as open as it ought to be, but what nobody tells you, when they say that they are going to be in front of those bias panels, nobody tells you that the U.S. agreed to the panelists in every dispute. All of you who have been in the labor movement, this is more like, in terms of the decision making, it is more like a mediator where you have agreed on a mediator or an arbitrator. It is a decision maker. I have agreed to—we have never been in front of one before. In 47 years with GATT, we have never been in front of one. We did not agree to. So the notion we are not going to get fair results is not reasonable. There is a provision that says the Secretary General or the Secretary can appoint panelists. It is a back up provision and it is not being used and we are not going into any disputes in which we have not agreed to the panelists. But the important thing to remember is, even there, if we ever lost a case, we are not obligated to change our laws. Last thing, maybe the last thing.

The CHAIRMAN. I think it will have to be the last thing. [Laughter].

Mr. SHAPIRO. I thought I could do all of this in 8 minutes. I should have said it would take twenty.

Last thing. The WTO has been painted as this scary new organization. It is not a very significant change from the existing GATT

except for what we already talked about with the blocking of the panel reports. We do not think it is going to cause any great problems. We think there are a lot of reasons why this trade agreement is going to work for the U.S. But if we are wrong, we can withdraw within—on 6 months notice.

No, no. Two separate things, Bill.

Withdraw within 6 months notice at any time. We have scheduled a vote every 5 years, even if we have not exercised that. Mickey Kantor and Senator Dole are talking about other provisions to provide additional assurance on this point. And so I think that not only are our rights going to be protected, I think it will be comfortably protected. But the key is, on the economic argument, we do believe this is giving us a fairer result.

The CHAIRMAN. We are in a situation, we have got another panel, five more. We will indicate if anyone wants to make a response, Ms. Wallach and others, we will include it as part of the record so it will all be printed that way. Do you want to make a comment?

Mr. HAYNES. I appreciate Mr. Shapiro's remarks in referencing the fact that you think the government is fixated on economic issues. I guess it is because I really believe that is the case, and I believe it was more than the case in Reagan and Bush, and the reason we voted for Clinton was because we hoped he would represent our interests, the workers' interests a little more diligently.

Business perspective, as was characterized by Mr. Meade, clearly has a voice. In any business enterprise there is capital and labor and ownership. The banks certainly have a voice. Ownership has a voice. Where is the voice of working people in the United States? We need an industrial policy in the United States. We do not have one.

The Senator has been deeply involved in training and education issues. Businesses in this country spend \$40 billion, \$40 billion to educate and train. Do you know that 30 billion of it goes to training and education of their executives? Look at the Harvard MBA program. There isn't enough training and education in this country for our workers. In order for us to compete in a world market, we have to have better education, better training. We are competing with low wage countries. As working men and women, we care about people across this world. They should have better standards and better working conditions and wages and benefits that let people live a life of dignity and a lifestyle that is commensurate with their economy. That does not take place, even in your presentation. Nobody seems to want to talk about workers and the impact that NAFTA and GATT will have on workers across this world. I want to hear my elected officials talk about what is going to happen.

NAFTA has been in place for a year now. I would think from listening to the rhetoric in the NAFTA debate, your newspaper would scream headlines about jobs and economic expansion and how our economy is improving so dramatically and middle class lifestyles are improving in this country. I know it is not true because I talk to workers every day of the week. I need—and that is why I asked Peter—please convince the labor movement that somebody is looking out for our interests. And I still do not get it. Every time I hear from people, from the administration or the business community, all they talk about is big companies.

One final point. You talked about General Motors. I would suggest to you that the reason why General Motors is successful is because of the UAW and because of the collaboration the big three have relative to education and training and because the administration goes into Japan and says, if you do not start taking our cars then we won't take your product into our country. We need that kind of activity across a broad spectrum of manufacturing goods in this country and we do not get it. That is a good start. That is a good example. Let's do it with other companies in this country. [Applause.]

The CHAIRMAN. As the Chair, I am in complete agreement on industrial policy. We have one in the U.S. but it is a reactive industrial policy. The Congress bailed out New York City. It is about to collapse. We bailed out Chrysler, accept the fact is we repaid it. They repaid it. We had Lockheed Aircraft, which the Federal government effectively bailed out. And they repaid it. They were successful on it. We are completely reactive instead of trying to be ahead of the curb and look out after the real economic interests of the country. I do not want to talk about it. I am a very strong supporter of it. It is out of fashion today but here is one that is a strong believer on that. That is another issue for another time.

Lori, I want to try to keep you—

Ms. WALLACH. I want to clarify a point. I think I mischaracterized myself which is, my concern is not losing our sovereignty as a general matter because I think actually losing some sovereignty would be a fine price to pay for some enforceable international environmental and labor in other citizens' human standards. The problem we see with this is there are not any such standards here. The Clinton administration did make a fight after the Bush and Reagan administration had totally ignored citizens' positions on such standards, but the bottom line is, despite their good efforts, not only didn't it get in but there was incredible hostility to the notion of it ever getting in, to the point where all that was requested was a committee. The committee's ideas were shot down to, in effect, a working group and later all they got was a mention that it could be brought up in a future discussion about the WTO. So in fact there is massive hostility, and in those sorts of new agenda items, under Article 3-1 in this agreement it is majority voted.

The CHAIRMAN. I will give you a few more seconds. I feel like a moderator. [Laughter.]

Ms. WALLACH. As well as having international standards, the problem with the sovereignty issue is domestic standards that condition market access on things like labor rights. You can not come in unless, that is what can be asked. That is the sovereignty problem.

Mr. SHAPIRO. There is too much to say. It took me too long to get through it before. I would say to Bob's point, which is a good one, Dick Riley in the Education Department, Bob Reich in the Labor Department, are devoted and committed to education and training and enhancing that for workers up and down the line, and if you look at the school to work initiatives and things like that.

With respect to workers' rights, we fought to make workers' rights a part of the NAFTA, even though many in the labor movement do not think we did enough. We have fought in this trade

agreement to make it part of the trade agreement and we have got for the first time only a committee on it but we are going to continue pursuing these issues. It is difficult to impose the standards that we have managed to get on the rest of the world. We are doing quite a bit. In fact, most of my critics, most of Mickey's critics, think we spend far too much time working on this question. But ultimately the reason we are for this thing is that we think it is going to create more jobs and better jobs over time for U.S. workers.

The CHAIRMAN. Let me make just a brief—

Mr. BYWATER. Ted?

The CHAIRMAN. Bill, go ahead.

Mr. BYWATER. Well, first of all, we are not opposed to, let's say, a trade agreement between the United States and the Democratic countries in Europe. We are all in favor of that. What we are opposed to is you have an agreement with these countries that are dictatorships, total dictatorships. And all you are doing is going to bolster them, going to help them to stay in office, these dictatorships, by making deals with them in terms of bringing work into the country and so forth. They will say, Hey, everything is great. Look what I am doing for you. This is what is happening. And you are not going to correct labor rights. And the only way you are going to correct labor rights, the only way you can do it, is to vote this thing down.

Now you have a lame duck session that is coming up. They will not even be in office next year. Let the Republicans decide this thing. Let's put the spotlight on them and see what they do next year. That is what I want to see. What they are trying to do is duck this thing now. They are ducking this thing now. That is what Dole is trying to do. Get it through now in a lame duck session, then blame anything that goes wrong on the Democrats, if you want to. It is a rip off.

The CHAIRMAN. We do want to give a fair opportunity to the others. We have a number of other witnesses and we are running out of time.

Let me just as a concluding comment indicate that we will meet, I will, meet Mickey Kantor in a special trade review meeting on the specific steps administration intends to take. We will monitor that on our Labor Committee, and I am not chairman, but we will monitor it on the committee with our members, meeting with them in the first part of next week, and I am confident we will have their support. We will also make certain that the labor standards and workers' rights are a priority in any future kind of export initiative. We will monitor here in the State the effects of NAFTA and what the impacts are having in Massachusetts, the Massachusetts labor. I will try to work it out with the AFL-CIO here. And we will also, if GATT is enacted, we will get Secretary Reich with the State labor leaders to come and set up a procedure so we have the format. We want to do it for the rest of the country. We will do it. I will work with the State leadership on this and we will try to find additional ways to make sure, if this agreement does go through, that these rights are going to be given the kind of priority that I am strongly committed to and heard about here today.

Let me just say, we will recess now for 10 minutes and then we will come back. And we have got an excellent panel. We want to listen to the members of that panel. We thank all the witnesses.

As I've indicated earlier, we will be including other statements of those that want to be included in the record. We are going to do the best we can in terms of time. We are going to leave the record open and include others from those that read about it or hear about the hearing and then we are going to try to get it printed up so it will be available for debate and discussion. We will recess for fifteen minutes.

[Recess.]

The CHAIRMAN. We want to at the outset thank all of our, not only our witnesses but all of our guests here this morning for their patience and also for their interest in this issue. I thought we had a very important and useful exchange, which is not generally the way that these hearings go, but I thought it was very helpful in terms of building the record earlier. And we will try in the time that is available to follow that process. We will now welcome our members of our next panel.

Mr. Robert Sargent, Legislative Representative of MassPIRG, who works very hard here in the Commonwealth of Massachusetts to advance the interests of a cleaner environment.

Stanley Goldberg, Senior Vice President of Duro Finishing Corporation, which has been in operation since 1947 and has expanded in size from 30 to 1,000 workers currently employed. Mr. Goldberg has seen massive changes in the nature of the textile industry. As an employer who is committed to the preservation of his company and workers in Massachusetts, we are particularly appreciative of his testimony. I have known him personally and visited the company. It is an extraordinary story and I am very grateful for his presence here.

Steve Early is an International Representative of Communications Workers of America and we are glad to have Mr. Early here representing Massachusetts Jobs with Justice Coalition. His Op-Ed piece on GATT was published last week in the Globe. We appreciate his appearance here today.

Dr. Herman Starobin is another out-of-town visitor. As Research Director of the International Ladies' Garment Workers' Union and a labor economist, your testimony will be particularly valuable with respect to the impact of the GATT on the apparel and textile workers.

Robert Lawrence is an acclaimed economist and Professor of International Trade and Investment at the Kennedy School. He supports GATT but has demonstrated in his writings and work particular sensitivities to the kinds of issues that are being raised by other members of the panels. We appreciate your participating with us today. I told him I would get him out by twelve. I can't believe people are milling around but they will be here. So I will, with the understanding of the panel, try to accommodate you. I will recognize him first and then we will start down.

STATEMENTS OF ROBERT Z. LAWRENCE, PROFESSOR OF INTERNATIONAL TRADE AND INVESTMENT, KENNEDY SCHOOL; ROBERT SARGENT, LEGISLATIVE REPRESENTATIVE, MASSPIRG; STANLEY GOLDBERG, SENIOR VICE PRESIDENT, DURO INDUSTRIES, FALL RIVER, MA; STEVE EARLY, INTERNATIONAL REPRESENTATIVE, COMMUNICATIONS WORKERS OF AMERICA; AND DR. HERMAN STAROBIN, RESEARCH DIRECTOR, INTERNATIONAL LADIES' GARMENT WORKERS' UNION

Mr. LAWRENCE. Thank you very much, Senator. It is a pleasure to be here today. I think when you vote next week you will be making a historic decision. The Uruguay Round negotiations have been 7 years in the making. They have been a massive undertaking. The scope of those agreements go far further than the traditional agreements. Traditionally we have negotiated simply to lower tariffs around the world, but what's different about this agreement is that we are also moving to deal with nontariff barriers and to deal to a much greater degree with the rules that govern international trade. I believe that this is a positive agreement and that it should be supported. I think it does open up markets for the U.S. in areas where they have been closed for us. Particularly what this agreement does is to start to liberalize agricultural products. And we are a highly competitive agricultural export. It also has been indicated for the first time that it starts to open up the services sector.

Second, I think it is very important that we now have an agreement which puts disciplines on a lot of areas in which American products have been discriminated against. These include things like trade related investment measures. Foreigners have used local contact provisions to cut us out of foreign export markets. I think they have used technical barriers to trade in a discriminatory way, to cut our products out of world markets. And this is no longer going to be possible.

I think in addition it does a lot in other areas such as government procurement. Not as much as I would like to see personally, but I think there are accomplishments there. I think in addition it helps to level the playing field of international competition by clarifying the rules for unfair trade that deal with subsidies and dumping and brings more countries into that arena. I think the Intellectual Property Rights Agreement is also important and I think the dispute settlement process which it is going to implement is very foreign to the U.S. We have been forced to use unilateral measures to use the power—let's put it this way, the persuasion of power rather than the power of persuasion in trying to open foreign markets because the rules of international system have been inadequate but now for the first time there are going to be binding dispute settlements. And this is again something in our interest. I think the key point is that if you look around the world, you find that the American market is extremely open. By and large American laws are not discriminatory against foreigners. By contrast, that is not what we find around the world, and that is why I think leveling that playing field is good for America.

It is not simply my view but also numerous studies which have been done that show that this agreement would raise American incomes. In fact, the conservative studies I have been impressed by

suggest it would raise incomes by about one percent of GNP. Now, that does not sound like a lot until you realize it is \$68 billion and about a thousand dollars for each American family of four. That is a very significant improvement in living standards.

Now, I agree with the proponents of the previous panel. Our economy has had a very disappointing performance in raising living standards of American workers. But where I would disagree with that is that this happens to be an agreement whereby making the world economy more efficient, by making our own economy more efficient help to raise our living standard rather than to lower them. And it is precisely because we have an economy in which growth has been slow over the past two decades and in which productivity performance has been slow, that we have to think about ways in which we can improve that productivity. And one of the things we see in the studies is that our high wage industries tend to be our export industries. So from the standpoint of our economy and from the standpoint of Massachusetts, part of the U.S. which depends very heavily on exports, this is an important thing for us to be worried about.

There is no question some object to this agreement because it will cause displacement, and I think it will. The estimates that I have seen from the University of Michigan suggest that the dislocation would be about 108,000 workers over a 10 year period. This has to be seen in some perspective. It is about two-tenths of one percent of our labor force in our economy. I do think it is critical that we improve our capacity to help workers who have to be retrained and re-employed, but I think we cannot ignore opportunities that provide themselves to us to raise our living standards.

Others object to the agreement because they argue it does not include labor standards and environmental standards and I think it is accurate. Those are not covered currently in the agreement. The real question we have to ask is whether we are better off going forward, putting in place a binding mechanism and then trying to bring these issues onto the table in a forum which will make them meaningful or whether we are simply going to walk away from an agreement which has taken 7 years to negotiate.

My preferred position is to pass this agreement, put the United States in a leadership role in which we would then credibly put forward our new issues. It is important to remember that when we introduced issues in the 1980s, when we said services should be subject to rules, when we said agriculture should be subject to rules, we were laughed out of court, if you will. Our negotiating partners were not interested in talking to us. But we see how we were successful and I think it is by playing the game in the international arena that we could be successful again.

Finally, I would just caution that I think failing to pass this agreement would have very, very serious consequences. In the short run I think they would be felt in the financial markets. I am not saying I understand why the stock market is dipping. There are many reasons. But I certainly believe that a sense that the United States is no longer leading the world economy, and that is a sense which would be reinforced or rather sent, a message that was sent out to the world if this agreement were not to be passed, that that would have severe financial consequences, and I think if

we were concerned about employment in this country, that is something we can't afford to risk. I think in addition, while technically the rules would remain, if we walk away from this agreement, the rules will remain the same as they are today. I actually believe the bicycle theory of trade liberalization. If you do not peddle forward, you will fall backwards. We have to keep up the momentum. I think if there was a perception that the world trade wasn't moving forward, we would start to see regional fortresses erected around the world. And I do not think that is in our long-term interest.

So to summarize, briefly, this is an agreement which is in our long-term economic interests. It is not perfect. There are things which we should be pushing for in an international arena, but the GATT now strengthens the form of the World Trade Organization. It will be a more effective forum for us to do that.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. Lawrence may be found in the appendix.]

The CHAIRMAN. Let me just take a question out of turn. I want to hear from the rest of the panel.

I think you have made an obviously compelling case about what is going to happen potentially with the financial market and it will be continually a part of the intellectual property and the information based systems, telecommunications and biotechnological would obviously be damaged. And then you talk about the estimated number of jobs. The real issue that is raised here in this is that these jobs fall on a particular sector of the American economy which is the backbone of the American economy, that is the manufacturing arena.

As you point out yourself, the negotiations done during the 1980s were done by individuals that were not committed toward the real interests of working families and the manufacturing base, environmentally as well. And what they have seen is that the decline in terms of the real purchasing power for those that get entry level jobs as well as those at manufacturing in many different areas, where there has been a dramatic reduction in terms of purchasing power for those individuals who were involved in the labor market, twenty percent reduction, even entry level jobs for purchasing power in terms of manufacturing.

And so the point is, you have heard stated here time in and time out in the course of today that, why is that a responsible position? I am opposed to GATT unless it is going to be a real potential and negotiation that is going to be sensitive to this very important sector of our economy. It will be talked to.

In terms of apparel, we are talking about basically a manufacturing base which is the backbone of our economy. We have seen the decline in terms of the manufacturing power and real income for those families. It has been augmented primarily in the 1980s by the wives of the family, the mothers going to work, with all the implications that has, which is another issue for another time in terms of family and the pressures that is put on it. Why should we pass something that is perceived and may very well be—this is the key issue on this—that is going to accelerate those kind of forces and diminish the position of the United States as a major international economic force?

Mr. LAWRENCE. I think you ask a very important question and I am not sure, quite frankly, I can deal with all the ramifications of your question, but nonetheless, I do think we have to ask ourselves, where is the future of our manufacturing set to lay? And I think the point you made is absolutely critical. We do have to have a vibrant and growing industrial base, and I believe the only long-term solution to achieving that goal is to have a manufacturing base which is internationally competitive and can basically withstand international competition on a fair and open playing field and can export. And that is what I see this agreement doing. I do not believe it is only for foreigners and for the services sector. I think there are very important sectors across the board of where we are lowering trade barriers. I believe competition makes us better, stronger not weaker. I think in order to survive we have to exist behind high quotas or trade barriers. I think that is a prescription for a long-term decline in our living standard. I think the only way to compete internationally is to become more productive and to enjoy access to larger foreign markets.

So I do not accept the characterization that this is an agreement which will cause the manufacturing base to decline. I certainly think more of the benefits are probably going to be borne by the so-called industries like machinery, pharmaceuticals, computers, machine tools, those kinds of sectors will bear more of the benefits. I certainly think that for the textile industry there is going to be a considerable adjustment required, but I think on the balance, our only solution in the long run is to become internationally competitive in a market that has no barriers.

The CHAIRMAN. Let me ask a final one. How do you respond to the argument that if we export, we have good jobs, you know, 17 percent above the average wage on that part, what about the flip side of that; if we have this increase in the imports, are we going to have a depressing factor in our economy? Address that, and then also tell us what information you have with regard to NAFTA and then we will—

Mr. LAWRENCE. I think it is certainly possible that an increase in imports will displace workers in this country. However, that is not always true of all increases in imports. Sometimes, indeed I think today, what we are seeing is our economy is sucking in more imports and we see employment actually increasing. And that is because our economy is recovering. That is a very good sign. We are buying more from domestic sources and we are buying more from abroad. Under those circumstances it is simply not true that a rise in imports will cost jobs. What we do see at times when we go into a slump and we lose face from the rest of the world, and we keep it—we keep buying from the rest of the world, there can be a loss of jobs.

I think the same is true when you try to look at the impact of NAFTA. Quite frankly, I think it is still too early to tell. What we do have there is an economy which is going through a period of slow down. So they tend to buy less from us. What we have by contrast is a United States economy where growth has been very, very robust, so we are buying a lot from them. The same is true for the rest of the world. Actually, the picture is not changing. We are seeing recovery in Europe actually taking hold quite strongly. We see

Asia growing very strongly. We have not yet seen signs of recovery in Japan but we will, I believe, over the next year. So as the world economy starts to grow, I think we should see our trade balance start to turn around.

Now, I do not want to say, finally, that there isn't going to be dislocation as a result of trade. In fact, all change would dislocate. When we get improvements in technology, there will be dislocation. If we have an economy that can't take change, we are not going to improve. The real question is, how well can we adapt and adjust to change? And I think we should seize every opportunity we can to take the changes while improving our overall living standards. Thanks.

The CHAIRMAN. Thank you very much. Appreciate it.

Mr. Sargent?

Mr. SARGENT. Thank you, Senator Kennedy, and I guess the members of the committee, for the opportunity to speak today and congratulate you on your recent victory. And I want to also indicate a hope that today's hearing represents what will be one of many discussions on this issue before this proposal is passed.

I am going to be brief today because, at least today, I really just want to make one key point, and that is that we need to stop the rush to pass GATT this year to give the people of Massachusetts and the Nation a chance to take a look at it. Understandably, people, you know, busily leading their lives do not have time to pay attention to trade agreements that are buried on the business pages and have been for most of the last decade. And the complex issues that people have talked about today deserve more than just an up or down vote in Congress. Most of the discussion today has been focused on jobs, workers' rights and concerns about labor standards. And obviously these are important and legitimate issues and deserve the utmost consideration.

I want to focus more on the impact that MassPIRG is concerned GATT and particularly the dispute resolution process in the World Trade Organization will have on environmental and consumer protection—no surprise to you, I am sure—and for that matter a very related issue or probably fundamental issue is democratic process in general.

As you know, we strongly believe that GATT is bad for the environment because it would allow other trading partners to challenge U.S. and State laws which are of a particular concern of MassPIRG. The challenges would be heard by secretive and deliberative bodies which are unaccountable and they would rule on these challenges. There has been a lot of talk about this this morning. Lori Wallach described it better than I could, the concerns that the citizen groups have about that process. Citizens do not have standing, the State of Massachusetts would not have standing in those hearings and nor would the President, which is—I think it was mentioned earlier—why a number of key journalists have raised serious concerns about the disclosure issues there. I think all you need to do is look behind the former iron curtain to look at how a lack of democracy and accountability results in environmental destruction, and I think at this point we feel like we need to hear more than the, do not worry, be happy response GATT critics receive when we raise these concerns. Some laws have already

been challenged under GATT. Some of our laws have already been challenged, like the Automobile Efficiency Standards, and it is very clear that the fear of wholesale attack on our environment and food safety laws have resulted in it being a consensus position of the environmental community, that being opposition to GATT among environmental groups. And that is in spite of the fact that there was some division among environmental groups in the debate over NAFTA.

As a State based advocacy group I think our biggest concern is the effect that GATT will have on State laws and regulations and the ability for innovative policies to percolate up from the State. State laws or regulations which are stricter than Federal law would be particularly vulnerable under GATT and in Massachusetts, laws governing automobile emissions, State procurement policies and regulations which require environmental costs to be considered in the utility resource planning process could be vulnerable.

In spite of this, the potential for the vulnerabilities of these laws and regulations, State government would have—would not be allowed to defend its challenges before the trade tribunals. And while the U.S. has one vote in the World Trade Organization, Massachusetts has none. And it is not always the case that Massachusetts interests are the same as the U.S.'s interests. If a challenge to a State law or regulation is upheld—I've heard Mr. Shapiro and others say that obviously sovereignty is not given up in and of itself. Nobody is alleging that the World Trade Organization is going to put a gun to Congress's head and say change this law or tell Massachusetts to change its law, but it is very clear that there will be immense pressures brought to bear on State legislatures, pressures on Congress to potentially preempt State laws.

Certainly I think a big concern is also that it gives powerful special interests interested in the status quo and who benefit from the status quo a potent argument against strengthening environmental and consumer regulations at the State level. Since new ideas from the states tend to drive Federal policies, GATT will stifle progress made on environmental protection and the states will no longer be the laboratories of democracy that Justice Brandeis talked about.

It is our strong belief that Massachusetts and U.S. citizens should be able to pass laws through a democratic process without outside interference from an organization over which they have literally no control. And all we are asking today, given the complex issues that have been raised, given that GATT has as profound an impact on many sectors as it has, has really only reached the front pages in the last couple of days, that we hold off a debate on GATT until next year, have a full airing of it so that many of those serious concerns can be addressed.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Sargent may be found in the appendix.]

The CHAIRMAN. Mr. Goldberg?

Mr. GOLDBERG. Thank you, Senator.

Duro Industries in Fall River, MA, has been employing textile workers since 1947. Started by Leo Goldberg, my father, and his partner, Edward W. Ricci, they returned from World War II to pur-

sue the American dream. Banks would not lend them money, thus they borrowed from family and friends. Today, Duro employs 1200 textile workers.

Senator Kennedy, during the last 30 years you have visited Duro Industries and you have enjoyed the local support of our employees and their families. These employees, who are members of the ACTWUA, receive wages and benefits exceeding \$17.00 per hour including fully paid health insurance in the major medical category. Duro workers are entitled to thirteen paid holidays in addition to a minimum of 2 weeks paid vacation. Because of their longevity of service, most of our employees receive 3 weeks paid vacation. A large percentage of our workers did not graduate from high school and many cannot read or write. With Federal and State funds that you, Senator Kennedy, were instrumental in providing, we have in the past provided a classroom in our factory to teach our employees to read and write.

Senator, undoubtedly you will agree that a job at Duro is a job worth preserving. GATT will take away low skilled high paying jobs in Fall River where chronic unemployment and low wages is a problem. Without Duro Industries most of our 1200 low skilled, uneducated workers will spend the rest of their productive years working for minimum wage or collecting unemployment and welfare.

Senator, after Duro has been in business for 47 years, the GATT will put us out of business in a little over 5 years. Everyone on both sides of the issue agrees that more than 80 percent of all U.S. benefits from the GATT are from the imports of cheap apparel, but at a cost nationally of 1 million United States jobs. There are 90,000 textile workers in California, most of them immigrants, and in Massachusetts alone there are more than 38,000 textile workers that will lose their jobs if the GATT is enacted. Most of the workers in the textile industry are minorities, the uneducated and in many cases the unemployable. You have protected these citizens in the past and we pray you will support and protect their jobs now. Senator Kennedy, we are looking at a bill that will eliminate most low skilled, blue collar jobs in the United States.

Senator, the business that we enjoy at Duro is the business that is made available to us as a result of the present quotas and tariffs. Obviously because of wage scale, medical coverage, and environmental regulations, we cannot compete with the Far East. As you know, when the iron and bamboo curtain was lifted, over four billion people became new members of the economy of the free world and they are willing to work very cheaply.

Senator, I would like to discuss some of the other reasons why you should oppose the GATT. In a letter to me you addressed the problem of United States sovereignty if GATT was enacted. You agree that more than five percent of the GATT members have voted against the United States in the United Nations more than 70 percent of the time, yet these countries would have equal say in our trade rules.

Senator, as you know, the United States will lose \$43 billion of tariff income over the next 10 years. As you know, three well connected media companies get a gift of \$2 billion if the GATT is passed.

Senator, as you must know, TWA and Carl Ichan will get \$200 million if GATT is passed. Senator, as you know, parents must register all newborn children with the IRS. If the GATT passed, as you must be aware, the treasury reduces interest paid on United States Savings Bonds, if the GATT is passed. Senator, as you know, the three big auto companies gets to string out payments to their pension plan if the GATT is enacted and, as you know, more than \$31 billion is added to our national debt if the GATT is passed.

Senator, the GATT is bad legislation, a bad deal for American textile workers, a bad deal for Duro Industries and unfortunately it is going to be voted on by a lame duck Congress.

As you know, many of the lame ducks have already accepted jobs as foreign lobbyists and corporate consultants and they have done this legally under the present ethics laws. These lame ducks are permitted to bargain for new jobs, accept job offers and still vote. This is unfair. These people have loyalties other than their constituents.

Senator, please oppose the lame duck session and vote early next year. At that time you can strip the pork and social tinkering out of the GATT bill. At that time the Senate can have an open debate on the merits of GATT-WTO.

Senator, as your son Ted saw recently when he visited our company, we have invested heavily in state-of-the-art high tech equipment to be able to compete with any part of the world on quality. A few years ago a Korean textile company approached us to buy our company because at that time they thought that the only way to share in the rest of the United States textile market—they already had most of it—was to employ United States workers and manufacture in America. We rejected that offer, although it was financially attractive. Next week you may hand them their fantasy, the whole United States apparel market which they can service with what we consider to be slave labor.

In a letter to many of the people in my company, you gave your word that you will look at the GATT to help textile workers. Please keep your word and take GATT up in the next Congress so it can be amended so you can save our jobs and our company. Please vote against the budget waiver. Please vote against GATT.

Senator, I would just like to make a couple of other comments. In our business it is really very basic. A lot of it is labor intensive, and we have been very innovative in our company. We have grown with respect to the textile industry, increasing 30 percent over the last 35 years, but we cannot be innovative enough to compete with some worker from a foreign company working for \$3.00 a day. It is impossible. We are going to go under. A lot of our workers are going to go under with us. If that were for the greater good of this country, that would be justified. But it is not only in our company, the textile industry, none of the industries in this country can compete against this labor. We have a standard of living which we have spent, I guess since the depression, trying to build in this country. We have done a pretty good job. A lot of it has been based on protectionism. I do not deny that. And if we have to compete face on with \$3.00 a day labor and any foreign country, our workers are simply going to lose their jobs. I listen to all this stuff about

NAFTA and how it is better for the United States. And these are some comments made by Representative Bonner. They are from the Congressional record. They address the Commerce Department saying how much better the United States is in the few months since NAFTA has been enacted and they point out that United States exports to Mexico were up 17 percent but they do not say is imports from Mexico were up 21 percent and that cost us jobs. They point out the U.S. has exported 22,000 vehicles to Mexico from January to July but what they do not say is we have imported 221,000 vehicles from Mexico, ten times more than we sent them, and that cost us jobs. They claim that NAFTA could create 100,000 new jobs this year with no supporting documentation. What they do not say is that 35,000 workers from 224 firms and 37 states have already applied for benefits due to jobs lost from NAFTA. And that is just through August. Using the logic of the Commerce Department report, you would conclude that the 1962 New York Mets were a good baseball team because they won 40 games. [Laughter].

They are NAFTA aftermath. But you overlook the fact that in 1962 the Mets lost 120 games and that is why they are known as one of the worst teams in baseball history.

My bottom line, Senator, is, you have spent your entire career, I mean your body of work is in protecting American workers, American rights, American working conditions. A very commendable career, much more commendable than mine. I have only built a small company in the sticks of Massachusetts. However, you know, the entire body of work of your life indicates you would vote against GATT, and I hope that is the case in about 10 days. Thank you.

The CHAIRMAN. Just to say what a compelling role the testimony has been, but I find that your testimony, given the degree of credibility, the interest in people, innovativeness, caring for the workers, improving workers' education, continuing training, committed to Massachusetts, working with people that do not have other kinds of opportunities, is just an extraordinary record on your part. I mean on your family's part. And I think it is something that is just very, very important. And in terms of your comments, everyone has good reason to make a statement and comments, but I find this, as well as workers' comments, particularly compelling. Let me ask you something.

How are you able to compete with, you know, nonunion jobs down in the south where they pay seven or eight bucks an hour? You are paying \$17. How can you even do that today? I mean, I was listening to your comments about what you have in terms of paid holidays, vacation, the health benefits, and we have seen much of the industry go from Massachusetts down south, overseas, and how the devil do you compete with others even in our own country today?

Mr. GOLDBERG. Senator, in addition to the high wages we pay—

The CHAIRMAN. Higher cost utilities, workman's compensation, transportation, you know. We are at the short end of everything up here, which makes it much more complicated, but how—

Mr. GOLDBERG. We out hustle them. We have combined niche businesses in this country with quick response. We have gone to the very end of fashion. We have invested \$6 million a year in

equipment so that we can do just about anything anybody wants. We do it very quickly, we do it very well, we do it with great quality and we do it, quite honestly, with great workers. The Portuguese people in Fall River are among the greatest workers in the world and, quite honestly, Senator, they are the real losers if GATT is passed because every one of them is going to lose their jobs. Quite frankly, we have gotten a lot of help from you. You have helped us with some military things. All the chemical defense suits that went to the Persian Gulf, those suits were made of fabric made in Fall River, MA, from our company. All the fragmentation vests, Chemlar vests, were done in our company. The extended cold weather Gortex suit, I know you were instrumental.

The CHAIRMAN. Fantastic.

Mr. GOLDBERG. That is how we have done it.

The CHAIRMAN. Those are all extraordinary, innovative, creative achievements in every part of the line. OK.

Mr. Early?

Mr. EARLY. Thank you, Senator Kennedy. I am here today on behalf of the Communications Workers of America. We represent 600,000 workers, primarily in the telephone industry, nationwide, 7,000 here in Massachusetts, many of them employed in a phone equipment manufacturing plant in North Andover owned by AT&T with which you are quite familiar. I am also testifying on behalf of Jobs with Justice, a statewide coalition of anti-GATT groups that are quite active in terms of holding protests against this agreement and urging you to vote against it around the State yesterday.

I do not want to rehash or read my testimony. It is in the record. There are a lot of other people signed up that want to get a shot at speaking their peace. I want to pick up on a couple of points that have not been made. And the first, Senator, has to do with the stands that people like Mr. Shapiro and Mr. Kantor have taken. It is inherently contradictory. On the one hand they are assuring us that we have nothing to fear in terms of future challenges to future social policies, protective labor legislation, and so forth, at the same time attending debates, as he just pointed out, one involving domestic content requirements, whether that should be part of the manufacturing provisions, and telecommunications legislation. He sent a letter around, a lot of lobbying, that says, no, domestic content is a not appropriate, it is GATT illegal. Senator Harkin with his child labor bill, a ban on importing products made abroad by children under the age of 15. It is in the Globe. He is told flat out by trade negotiators and their staff that it is GATT illegal. If you look a little further, and we represent—

The CHAIRMAN. I am a cosponsor, cosupporter. I want to give you a chance. I will respond to it later.

Mr. EARLY. I will be glad to submit the article.

The CHAIRMAN. You can submit any article you want.

Mr. EARLY. We have had a number of examples cited today of present and possibly future legislation or role making, whatever, that will be subject to challenge on the grounds that they constitute nontariff barriers to trade. Let's look at examples from another country for a minute. We have members, for example—

The CHAIRMAN. As long as it is not discriminatory. Isn't that the criteria?

Mr. EARLY. Discriminatory?

The CHAIRMAN. As long as it is nondiscriminatory. I will ask Ira to respond to this. Why don't you continue. Rather than you and I getting into a dialog, go ahead.

Mr. EARLY. Let us take a quick example from legislation, a trade agreement that preceded NAFTA. The agreement 6 years ago between the United States and Canada. A similar mechanism was created permitting challenges to so-called nontariff barriers to trade. We have members in the Province of Ontario who elected a government in 1990 that was committed to creating a social insurance system for auto coverage. They wanted to get the private companies out of the market, as they have done in the area of health care. They pushed that forward as part of their legislative agenda. They got elected on that program. What was the first thing they were confronted with when they took office? It was a threatened challenge from U.S. private insurance companies saying, no, we are going to challenge this under that trade agreement because we want to have access to that auto insurance market in Ontario and it was shut down because the social Democrats, the Labor Party created social insurances that is going to be a nontariff barrier to trade. That is a very telling example of the kind of situation we are going to get into in the future in this country and others where people try to exercise some Democratic control over social policy, economic policy and they are going to be subject to these kinds of challenges.

Let's bring it down to the level of the remedies that you propose. You talk about the need for real teeth in implementing the legislation to protect workers rights. And in your letters to people who have written to you about their concerns in the area of workers' rights, human rights, you have cited this legislation S.2268 which you cosponsored. Well, when that was originally run in the Congressional record it covered about two-thirds of a page. Now as part of the implementing legislation you are going to be voting on next week it is down to about six or seven paragraphs. And what does that call for? Does that call for any kind of enforcement mechanisms or sanctions if workers' rights are violated in Indonesia or Malaysia? No. It proposes that the companies, the president of the company seek to establish a standing committee under the World Trade Organization that would then engage in conversations, discussions, apparently on an open-ended basis with other trade partners and that there would be some exploration of the linkage between trade policies and workers' rights.

Well, we have a lot of problems with this, Senator. It is not adequate teeth. It is not adequate complaint procedures. Our president just went to Indonesia and had a discussion with some of the our leading trade partners at Apex and he just told them he was going to de-link trade policies from workers' rights and human rights issues.

Let's look at the NAFTA labor side of it where we have much stronger language than you have proposed to deal with our concerns in the legislation and let's look at labor's experience with that so far. As you know as a sock to labor, when NAFTA was on the legislative agenda we were told there was going to be on a side agreement, the North American Agreement on Labor Cooperation,

that would create something called the General Administrative Office. And when we American unions had complaints about Mexico's failure to enforce its labor laws as they applied to companies like GE we want be able to file a complaint, work with Mexican workers and bring these issues before an international forum. We have representatives here today of the United Electrical Workers' Union, The Teamsters, who can talk in some detail about the case that was filed by those two unions earlier this year after months of attempts to get the administrative office and Secretary Wright interested in their case. One day of hearings was held and their complaint over the filing of 150 union activists in Mexico by Honeywell and GE was dismissed. Secretary Wright expressed very little interest in getting involved in this case. Now that was supposed to be a labor, human rights, workers' rights, complaint procedure, enforcement mechanism.

A NAFTA tribunal was supposed to take care of our concerns. It has not taken care of our concerns so far. The first experience with it has been a disgrace and I would suggest we are going to have bigger problems, on a much larger scale with even weaker language that you yourself, I think, in your earlier comments, came to admit is in there to deal with these concerns in the GATT legislation. Thank you.

[The prepared statement of Mr. Early may be found in the appendix.]

The CHAIRMAN. Herman Starobin

Mr. STAROBIN. Thank you, Mr. Chairman, for the opportunity to testify on this important but little understood agreement. I would like to make four basic points on the Uruguay Round agreement and elaborate on each as time will allow. One, there is a tenuous relationship between the agreement, international trade and job creation in the United States. Two, there is a deafening silence in the agreement on workers' rights and labor standards, but there is no silence on the issue of the agreement for big business. No. 3, the agreement severely impacts on the domestic apparel industry and its jobs. And four, half truths with deliberation have been used by successive administrations, Democratic as well Republican, to support such trade policies as GATT and before that NAFTA.

Administration spokespeople say that increased trade resulting from the Round will create massive numbers of new and better jobs. They say that for every \$1 billion in increased exports, \$20,000—strangely a very round figure—will be created. This figure did not come from a current administration, it came from the Bush administration which had asked the Commerce Department to come up with a number and they came up with 20,000. They later refined the number to 17,600, but Ambassador Kantor, our trade representative, continues to use the rounded figure. I wonder why. Is it easier to use that figure, that 17,600 figure? Where either of those numbers come from is a mystery. Nobody has ever justified it. They are simply asserting, but assuming they are accurate, then the converse is also true. Every billion dollars in imports means a loss of 20,000 jobs. Given the unfavorable trade dollars of 1993, more than two million jobs were lost as a result of imports. The imbalance in trade in 1994 is running at a rate of \$160 billion.

Go back to the kinds of promises that have been made about these rounds. Go back to the Tokyo Round in 1979 which promised astronomical improvement in our streets, in our jobs and so forth. If you look at the trade data between 1980 and 1993, the imbalance in trade has come to \$1.48 trillion, an average deficit per year of \$105 billion. Calculate how many jobs have been lost as a result of that using the formula that was used in the Bush administration and is now being used by Mickey Kantor. We are also told that new jobs created by increased trade resulting from the Uruguay Round will pay considerably more than current jobs, mainly because they are high tech. Yet projections from the Bureau of Labor Statistics do not bear this out. In its latest projection for the year 2005, the largest expected job growth between now and the year 2005 will be, in order, retail salespeople, registered nurses, cashiers, general office clerks, truck drivers, waiters and waitresses, nurses aids, janitors and cleaners, food preparation workers and finally one distantly related high tech job, systems analyst. This comes out of this administration's Department of Labor, projections made by the professionals who man the Bureau of Labor Statistics.

Admittedly our economy is having difficulty creating goods and higher paying jobs but the agreement we are told will increase jobs in the United States by opening third world markets on a reciprocal basis. We open our markets by reducing tariffs. They open their markets, therefore trade increases. Yet it is silent. This agreement is silent and the implementing legislation is silent and the spokespeople for the administration in this agreement are silent on how the people of the third world will be able to purchase United States consumer products. It ignores the most elementary historical experience, including our own, that the rights of workers to organize and to bargain collectively is a major factor in raising living standards. The multinational however profit from low wages and exploitation, as do the local elites in the third world and they want to continue to do so.

Mr. Chairman, I have had the opportunity, fortunately for me, at least as an advisor to our government trade negotiators over the last almost 15 years to visit 30 or 40 different third world countries. The kind of misery that exists in those countries which the agreement does not begin to deal with is part of the answer of why reciprocal trade will not work. It will not work until workers can have higher wages, can bargain collectively in their own interests.

Aside from economic arguments in support of labor rights and worker standards there is a question of basic humanity. But in its effort to get the agreement through the Congress and to satisfy the powerful business community, the administration dropped workers' rights and labor standards from the implementing legislation. The domestic apparel industry and its work force was the biggest giveaway by the U.S. Government in the Uruguay Round. It has put in peril one million U.S. apparel jobs, 700,000 textile jobs and hundreds of thousands of additional jobs in supporting industries. The threat to these jobs is acknowledged by the International Trade Commission which no one can accuse of supporting protectionism. The justification for this giveaway again is that the reciprocal market opening in third world countries will more than compensate for controls and lower tariffs in the United States.

Let me stress once again—and my submitted testimony deals in detail with this subject—that the Third World will not be a market for United States consumer products until their workers are allowed to raise the living standard by organizing and bargaining collectively with their employees. This is fact despite what my good friend Ira Shapiro has just—and let me be very.

We recently negotiated a textile apparel trade agreement with Pakistan. This was supposedly a great victory for USDR because we got them to lower their tariffs. Let's take a look at what we really did. Tariffs on apparel in Pakistan are 125 percent. They agreed to lower them to 70 percent. After 5 years they are lowered to 50 percent. After five more years they are lowered to 25 percent, which is still twice the tariff, the average tariff on apparel in the United States. More important than that, Pakistan's per capita income is \$350 a year. I will be damned if I could see where they can find the wherewithal to buy a single piece of American apparel. And no one who has traveled through these countries knows this is very much the case.

Mr. Chairman, this runs the equivalent of 70, 300 page volumes. And the implementing legislation to another 13 such volumes, in total, 83 volumes of 300 pages. I doubt that anyone has been able to fully digest its contents. Half truths and astronomical figures, made up figures on anticipated benefits have dominated too much of the debate all around. But, Mr. Chairman, once again, these figures on the gains resulting from the Round are simply asserted. They are not justified. Nobody has seen any studies. They are simply asserted.

I would be remiss if I did not tell you of the deep concerns of International Ladies' Garment Workers Union about the threat to U.S. sovereignty represented by the proposed highly controversial World Trade Organization. Here too the Senate is being rushed into voting on an agreement without sufficient time being taken to fully analyze, digest and debate the WTO.

Some years ago the head of General Motors, Engine Charlie Wilson he was known as, said that what was viewed then as an arrogant statement, what is good for General Motors is good for America. That view no more reflected the interests of the American people than the views of a major GATT supporter that what is good for Caterpillar is good for America.

There also remains the unresolved question of whether the agreement is a treaty requiring a 23 Senate vote or a majority vote in each house.

On behalf of the International Ladies' Garment Workers Union, I urge you as a member of the Senate and other members of the Senate to reject the budget waiver proposed. The vote on the GATT should be put off until Congress has had the opportunity to deal with the details of the agreement without the pressures of a special lame duck session. Carla Hills, Mickey Kantor's predecessor, said in 1991 when she walked out of the negotiations in Brussels—I happened to be there at the time and remember the dramatic incident, Carla Hills said no agreement is better than a bad agreement. Mickey Kantor has said no agreement is better than a bad agreement. Mr. Chairman, this is a bad agreement.

Thank you.

[The prepared statement of Mr. Starobin may be found in the appendix.]

The CHAIRMAN. Thank you very much.

A brief comment from Mr. Shapiro and then we are going to have an open session. If there is anything you wanted to address—I think we've talked about a number of those issues in terms of the sovereignty, the procedural issues, the State issues and standards, the role the tribunal and others. I thank your earlier comments. If there's anything in particular you wanted to discuss here is the time to do it.

Mr. SHAPIRO. Very briefly, on this persistent question of the rights of states to pass laws, we have safeguarded the right of states to pass health, safety and other laws that they want to pass. Laws that are stricter than international standards and laws that are stricter than Federal standards. And I do not want to go into great detail but Consumer's Union, which has endorsed the GATT, they have a very detailed analysis of the right of states to pass those kinds of laws. And they are satisfied that it is thoroughly safeguarded.

Additionally, Mr. Sargent may not know, but in the course of negotiating with State officials, we protected the right of the State, if a State law was challenged. State officials can be in at every stage of the process in defending the State law and that concern was brought to us by the State Attorney General and other State groups who subsequently said, because of these provisions, we are satisfied that State sovereignty is fully protected.

Very briefly on the environmental questions, many of the critics have indicated that the challenge to our cafe laws, Ralph Nader had indicated this was going to be a great indication that our laws were not safe from these panels. When the panel came out and decided the case, it upheld our gas guzzler law, it upheld our luxury tax law and it upheld the basic cafe law, with one facet of the cafe law that actually distinguished between import and domestic products, was the only one that was questioned. But it upheld those laws and it said you have got broad power to legislate and regulate in this area, just as we had contended. So some of these concerns after that public citizen no longer talked about that particular case.

Last thing, on the WTO, on the one Nation, one vote question, since 1959 there have been no votes in the GATT. The GATT has functioned by consensus. It is not like the UN General Assembly which has votes all the time. This organization is going to function the same way. It says so in there. We are not going to be out voted. We are going to remain a major player that can block actions we do not like.

Mr. Chairman. I think the point was that many of the ones that had been included voted against the U.S. or the United Nations over long period of time. I think there was quite a number. I think it was 50 countries that voted against.

Mr. GOLDBERG. 50 percent of the countries.

Mr. SHAPIRO. Absolutely. And the point I was trying to make is many of them have been in this agreement for 47 or so many years. This is not a body that has those kinds of votes and if it starts having those kinds of votes, the United States is going to have a very

serious problem with the way it is functioning. I do not think the analogy holds up for that reason.

From the Audience. Why do you have those provisions in the agreement?

The CHAIRMAN. Wait a minute. I will let him respond to it but we would appreciate it if everybody here could be courteous. I happen to be the chairman of this hearing and that is the way we are going to run it. I will ask if you want to make a comment. I want to hear a comment with regard to the child labor issue. It is inconsistent with GATT and it is nevertheless going to be enforced.

Mr. SHAPIRO. Yes, I do, because the child labor issue has been brought up repeatedly. First of all, there are no international rules on the question of production of goods by child labor. We think that U.S. law, if the Harkin-Kennedy Law was passed, it would stand on the same footing under the WTO as it would stand now. That is to say, it might be challenged as inconsistent with overall obligations. If the Congress had enacted it and it was ever found challenged and found to be inconsistent we could stay with that law the same way we could under current law, very much like in the tuna-dolphin case. Even though that was challenged, we have stayed with the Marine Animal Protection Act. We would continue to enforce the law if we passed it. We might at some point have to give some compensating trade benefit in some other area but the other thing is we believe that the only way to change child labor practices is to hammer away internationally and to use our GSP program and to keep the pressure on countries and we've done that with respect to Pakistan, Thailand and Bangladesh in the last year. It is a terrible problem. But the way to get at it is by international action.

The CHAIRMAN. We have to recess by 7 minutes of 1:00. And I will go down the list and I will ask if they would come around here and the panel will remain here. They can be excused, whichever way. We are grateful to them.

George Cashman will be the first, he's from Local 25 and State Respective Karen O'Donnell. We have got a number of people. We are going to go with the order that I've raised their names on this and we've got probably about eighteen people.

As I say I am going to have to end it at seven of. I will leave both Beth Slavet and Sarah Fox to remain here and work out a procedure so any additional comments will be made a part of the record and they will be here until the last person in this room wants to make sure their comments are made a part of the record during the course of the afternoon.

STATEMENT OF GEORGE CASHMAN, PRESIDENT, TEAMSTERS LOCAL 25

Mr. CASHMAN. My name is George Cashman. I am President of Teamsters Local 25.

First let me say, Senator, congratulations on your great victory. It was a great victory for all working men and in the Commonwealth as well as this Nation.

I have been asked to speak on behalf of the Teamsters Union and its 1.5 million members to urge you to oppose the impending legis-

lation of the Uruguay Round of the General Agreement on Tariffs and Trade.

Senator, our country should not negotiate or enter any trade agreement that is not a fair trade agreement. A fair trade agreement promotes jobs and wages and the strengthening of workers and human rights and strengthening environmental and consumer safeguards. A fair trade agreement includes specific measures and time tables for bringing up environmental and safety standards to the highest levels around the world instead of bringing them down to the lowest. It would not be fair trade under GATT.

Uruguay Round does nothing to improve the most prevalent unfair trade practices and workers' rights around the world. This is a vital concern to the U.S. workers as well as farm workers, since U.S. farming multinational corporations base their decisions to locate production facilities in part on the availability to low wage, low stand work forces. World trade will not improve the living standard of working people unless they the right to associate freely and share in this the economic progress that trade promises and therefore be able to purchase goods and services.

The Teamsters also are concerned about the establishment of a World Trade Organization. The word World Trade Organization undermines democracy by placing decisions about trade policies in the hands of an international institutions available to no one. This will enable the World Trade Organization to effectively overrule laws and regulations developed by the U.S. and other countries to protect working people and consumers and the environment. The World Trade Organization poses a significant threat to the standard of living of people in this country and others.

The GATT implementing legislation poses many additional risks. It does nothing to alleviate rising trade deficits. The GATT would result in the loss of \$40 billion in revenue over the next 10 years. Future generations will bear in revenue for this financial burden as well as the human financial costs associated with unfair trade practices, degradation of our environment and reduction of consumer safety standards.

Senator Kennedy, we urge you to not bow to the wishes of corporate interests who put the pursuit of profit ahead of the peoples interest. We at the Teamsters urge you to oppose this Uruguay Round legislation and to demand that strong labor and environmental consumer safeguards be incorporated in the GATT.

Let me just make one or two comments. As a labor leader here in this Commonwealth, it seems as if every day the crisis for the working people worsens. We have a company in Massachusetts, Lechmere, who has been bought by Montgomery Ward, who has taken an attitude toward our workers where they want to force us to go on strike and replace us. How many fights can the working people of this Commonwealth have going at one time. We have come from an administration in the eighties that said, just take care of yourself, do not worry about your neighbor. And we come from a work force that says the only way to get something accomplished is to stick together. We must fight for the working people.

Senator when your election was in question, the working people of this great Commonwealth were behind you. We fought every

inch of the way to insure you got to speak for us. So we urge you to please support our position. Thank you.

The CHAIRMAN. Thank you very much.

Karen O'Donnell.

Ms. O'DONNELL. [Oral testimony inaudible because the witness did not use the microphone.]

The CHAIRMAN. Thank you very much.

We have Phil Mamber and then John LaPerle. Phil Mamber is the UE District Two President.

STATEMENT OF PHIL MAMBER, PRESIDENT, UE DISTRICT TWO

Mr. MAMBER. Thank you for the opportunity, Senator, to address you and we are thankful you were able to bring together this hearing. Couple of things, I want to make it short because I know others want to talk.

First of all, our union along with the Teamsters was the first union to vote on record and bring charges under the side agreement on NAFTA about discrimination and Mexico on union organizing and environmental rights and then other activities that were taking place. Over 150 workers in Mexico had been fired for their union organization at a General Electric plant. We along with the Teamsters filed charges with the National Administrative Office. After much aggravation the hearing was held from Secretary Gazza, a hearing that was an absolute farce, that didn't have simultaneous translation, where the Secretary showed no knowledge of Mexico or American labor laws. It was an absolute joke and it ended up with a dismissal and I have submitted a report that can further go into detail on that and I would hope you would read the report of that ridiculous hearing that was held by the NAO.

The other thing that really hasn't been mentioned except slightly today is what happens in this competitive world market that we are talking about making the world more competitive. I deal across the table with many employers. Major corporations in their buying look to the cheapest source of oil, the cheapest source of coal, and they also look at the cheapest source of labor. When you open up the world to that kind of competition, you are talking about and your opening it up without any guaranties for labor standards, environmental standards, child labor standards. When you open the world to these corporations—and they have no loyalty, believe me. I deal with Standard Tools and General Electric. They have absolutely no loyalty to this country. When you are dealing with them they are going to look at all the labor in the same ways they look at any other resource. In fact, most of those companies now call their personnel departments human resource departments. And they are going to look at it that way.

The main reaction, even if everything else were equal, the real result of this kind of treaty is going to be to bring down tremendously the wages of American workers because when you create a world price for labor, a world price for land, and that is the objective of the corporations. In an agreement when they are creating something for labor, it will not be in our standard, not be to the wage and benefits of the American workers. It will be at the lowest possible common denominator and this will be the result of this

legislation. That is why labor was excluded from any part of the decision making process. That is why this legislation is here and if you want to be part of a process of bringing down the wages and benefits of American workers as they have already started to go down in the last number of years, you should vote for this. If you want to protect the interests of American individuals and benefits, please vote against this treaty.

The CHAIRMAN. Thank you very much.

STATEMENT OF JOHN LaPERLE, GATT REPRESENTATIVE, UNITED AUTO WORKERS

The CHAIRMAN. John? John LaPerle.

Mr. LaPERLE. Mr. Chairman, my name is John LaPerle. I am the international representative for the UAW which represents 1.5 million active and retired members, having approximately 12,000 of those members residing in the State of Massachusetts. UAW strongly opposes the GATT because we believe it could further result in loss and economic dislocations for the working family. The agreement does nothing to address workers' rights for countries. Unless the WTO imposes sanctions for countries which exploit their workers American workers generally will be confronted by competition for the low wage labor from other countries. The GATT agreement also failed to address the animus created became between the U.S. and Japan. In particular it implementing legislation does not create any steps to start laying the provision information in the U.S. trade law as a means of attacking the many unfair trade practices of Japan and other Third World countries. The trade agreement allows the European community to maintain its limits on importing Japanese automobiles. Since the U.S. has no compatible restrictions there is a real danger that Japan will dump its excess auto capacity in the U.S. resulting in a loss of additional good paying jobs.

Finally, the GATT trade agreement is projected to lose \$40 billion in trade tariffs during the first 10 years. Instead of finding savings of other revenues to offset this revenue loss, the supporters of the agreement have decided to ask for a waiver of the requirements. Since Congress has refused to waive these requirements for urgently needed social programs, UAW does not believe there is any justification for waiving the budget requirements for a trade bill at the GATT agreement that will result in further job loss.

In conclusion, on behalf of UAW and all working people in the United States, I urge you, my union urges you to vote against this unfair trade agreement. I want to thank you and wish you a good holiday.

The CHAIRMAN. Thank you very much.

STATEMENT OF TONY ROMANO, EXECUTIVE SECRETARY TREASURER, GREATER BOSTON LABOR COUNCIL

The CHAIRMAN. Tony Romano. Good to see you.

Mr. ROMANO. For the record my name is Tony Romano. I am executive secretary treasurer of the Greater Boston Labor Council. It is an arm of the AFL-CIO which represents 91 unions and approximately 69,000 families.

Senator, I will sort of cut to the chase here. My main concern are American jobs. Sovereignty, child labor, environment are very, very important but I also believe the jobs of the Americans are also important.

Forty years ago, 80 percent of all the manufacturing in this world was made right here in the good old U.S.A. Right now less than five percent. We hear that this is the global economy. Forget about manufacturing, we do not need it anymore. But, Senator, manufacturing jobs are the backbone of this country and we all were brought up on manufacturing jobs and we all lived decently. Right now we do not have those jobs. One just has to go to Filene's and look at the garments or the gadgets that are bought there. They are all made overseas and they all cost a hell of a lot of money. I do not see any prices going down with this global economy and this cheap labor.

Let's just take for consideration Maneesha and Reebok, 13 cents an hour. \$80.00 in Filene's. Where are the prices going down? Cars are not manufactured here, they are manufactured all over the world.

So Senator, I am not going to go on any further. I would just like to get in a personal note. All my life I have looked at your legislative career and you were my hero up until GATT—NAFTA, when I thought you stabbed the working person in the back. Right now we have GATT, which I think is the 800 pound gorilla. And I ask you, Senator, I beg of you, for the American worker, vote against this trade agreement.

Thank you.

The CHAIRMAN. Thank you.

We have Philip Bator here, United We Stand, David Gartner, a student of MIT. We have Lynn Davis who is a Regional Rep for 2020, A Visionary Grass Roots Unified for Peace. We have Carmen Alieno who is unenrolled. We have Peter Smith who is a Massachusetts voter. And Bob Baughman, Citizens Against GATT. We will take all of their testimony and make it a part of the record as it is read and we will have Sarah Fox take their statements, just as the other statements that were made here earlier, and include these in the record.

We appreciate their presence here and their interest in it.

[The prepared statements of audience attendees were not received by press time.]

The CHAIRMAN. Let me thank all of you for coming today and taking time out of your schedule to work together on the issue. There are a number of steps that we can take immediately.

I will meet with Mickey Kantor to review administration strategies on trade within nationally recognized labor standards. I will meet with the Democrats on the Senate Labor Committee to define our priorities and goals in the negotiations on labor standards. We will make sure that workers are represented when technology decisions affecting the workplace are made through a new manufacturing technology center that recently—the Worker Technology Skills Development Act, legislation I cosponsored which passed as part of the Elementary and Secondary Education Act which the President signed in Framingham.

With your ongoing assistance we will monitor the effects of NAFTA so we can take steps to improve labor standards in the export market. I have been very much involved in the GE workers dismissals and firings and I will continue to work on that myself, as will the other members of our committee involved in that. And we will continue our efforts and understand that we share the disappointment in the failure of achieving a recommendation and we are going to work to try to develop the kind of procedures where we can get real protection for those workers. We will focus on the specific industries, not only the telecommunications and electronics but and machine tools and others, and make a case to the administration regarding both the job creation and job recontinuation. In the State—if GATT is enacted we will bring together Secretary Reich and the State labor leaders to review its impact on our future role at the WTO, make sure that labor standards and workers' rights are a priority in any and all future export initiative.

I do not view today as a single hearing but as a part of the process and procedure. I will look forward to working with all of those that have testified today, their representatives and others in Massachusetts concerned with the issue.

I want to thank Ira Shapiro for being here today and we want to express our appreciation for his willingness to take the time and come up with us and respond to these questions. We thank him very much. We will hope he'll indicate to Mickey Kantor what has happened here and he'll give a report to Mr. Kantor about the points that have been raised.

I think it has been a very constructive, very positive, very important hearing. The testimony was superb, well thought out. It was factual and it was a very clear expression of very, very legitimate concerns about what the agreement is going to mean for working families in this State and generally in our region and our country. And this is a matter not only for the men and women that spoke here today but certainly myself included. And I want to give assurances to those who testified here today that we are going to continue to work with them to pursue these interests in the best way we can.

I thank all of you for being here.

[The appendix follows.]

APPENDIX

PREPARED STATEMENT OF WILLIAM H. BYWATER

Good morning. Senator Kennedy, I greatly appreciate your holding this field hearing today on the important subject of the Uruguay round GATT agreement. Thank you for doing so.

I am William Bywater, President of the International Union of Electronic, Electrical, Salaried, Machine, and Furniture Workers, AFL-CIO ("IUE"). The IUE represents production and maintenance workers in a wide spectrum of industries, including the defense, electronics, transportation, fabricated metal, power generation equipment, and automotive parts industries. At one time, our union had some 360,000 members. Today we have 150,000. This dramatic decline in membership largely has been due to our members having been displaced, as their employers cut back or totally shut down their U.S. operations in favor of lower wage countries. Regrettably, U.S. trade "policy" has served only to foster this corporate investment strategy. In my view, the Uruguay round GATT Agreement, represents a frightening culmination of this misguided "policy". Its impact on the employment and wages of U.S. workers cannot be underestimated.

Since 1986, when the Uruguay round negotiations began, the U.S. merchandise trade deficit has climbed from \$138 billion to a projected \$160 billion in 1994. Imports of manufactured goods have surged from 54% to 83% of all imports. It is true that total employment has grown over the last number of years, but that growth has occurred solely in the service sector. Since 1986, we have seen the disappearance of almost 1 million manufacturing jobs, and the average weekly manufacturing wage, adjusted for inflation, has declined 6.2%. Clearly, we cannot afford to continue down this path.

I would like to state clearly that I am not opposed to trade. International trade agreements, structured correctly, can benefit the people of the countries involved; they can raise living standards. Trade agreements, structured incorrectly, may increase corporate wealth, but they will depress, rather than raise wages. When evaluating U.S. international trade policy, we cannot afford to forget this basic principle: poorly paid workers cannot buy each other's products and services. And it is only through strong workers' rights provisions, expressly stated in our trade agreements, can we ensure that governments that want to enjoy the benefits of a world trading system will respect the rights of their citizens.

The GATT is an incorrectly structured agreement. It will mean job loss and wage depression for U.S. workers, as they are subjected to unfair competition from countries that maintain low labor costs through the suppression of worker rights. Glaringly absent from this GATT that expands trade rules into so many new areas is any attempt to recognize the need for minimal common labor rights and standards throughout the world. I find it both morally reprehensible and economically foolhardy that a U.S. worker will be put in competition with an Indonesian child working in an electric light bulb factory for \$3 per week. Indeed, a U.S. statute limiting trade with countries that exploit children for cheap labor would likely be "GATT illegal."

I urge the U.S. Congress to look carefully at the promises and claims made by GATT proponents. We cannot afford to view them with less than healthy skepticism. We are being told that increased exports will create jobs. But we must question: where are these jobs? What sorts of jobs will they be? Will they be high-paying jobs? I doubt it.

Proponents of this Agreement point to NAFTA as a success upon which we should build. This month marks the first anniversary of NAFTA's passage. While it is too early to definitively assess NAFTA's impact on the U.S. economy, the evidence, thus far, suggests that the promises made by NAFTA proponents were empty ones. I urge you to look carefully at the aftermath of NAFTA, because it is instructive. NAFTA has not been the success it was promised to be or has been proclaimed by those same voices now championing the GATT.

A report issued last week by the Institute for Policy Studies concludes that NAFTA has "failed miserably in its promises to labor." (1st Anniversary Report: Clinton's NAFTA Promises to Congress and Workers, by Sarah Anderson, John Cavanagh, and Dan Smith, The Institute for Policy Studies, November 17, 1994.) The report concludes that the claims of 100,000 NAFTA-related new jobs is "false, misleading, and grossly overblown." After careful analysis of NAFTA proponents' own data, the report's authors conclude that only 535 new jobs can be traced to NAFTA. I urge you to review that analysis. The IPS report is attached to this statement.

A major flaw in the projections for huge job gain under NAFTA is that they consider only U.S. export growth to Mexico and ignore the other side of the equation -- growth in U.S. *imports*. I am particularly interested in the claims about the auto industry, as numerous IUE workers are employed in the auto parts sector. NAFTA proponents claim that in the first five months of 1994, U.S. vehicle exports to Mexico increased by 12,000, compared with the same period in 1993. This is true. What is absent from this picture, however, is the fact that U.S. vehicle *imports* from Mexico increased by 28,000 -- more than twice as much as the export gain. Overall, U.S. trade with Mexico in vehicles deteriorated by 16,000 this year. In auto parts trade, U.S. exports to Mexico increased by nearly \$200 million in the first half of 1994, over the first half of 1993. However, U.S. auto parts *from* Mexico soared by \$1.2 billion. Last year, the U.S. ran a small surplus in auto parts trade with Mexico. Since NAFTA, the U.S. has run a \$1 billion *deficit*. Overall, in the first half of 1993, the U.S. auto trade with Mexico produced a \$1.5 billion deficit. This year's first half generated a \$2.6 billion deficit.

What these numbers come down to in human terms is jobs. Indeed, between January 1 and November 7 of this year, more than 30,000 workers applied for NAFTA-related Trade Adjustment Assistance. And, as the Institute for Policy Studies' report discusses, there are many reasons to believe that these workers represent only the tip of the iceberg.

I believe that it is incumbent upon the U.S. Congress to understand what NAFTA has, in fact, thus far, meant for the economic well-being of this country, as we approach the vote on the GATT. We cannot consider exports, but not imports. We must ask: Where are these new jobs? What sorts of jobs will there be? And if there is to be job loss, who will bear the pain?

I also have serious concerns about the new World Trade Organization (WTO) and its impact on the sovereignty of this country. The WTO is a secret tribunal marked by the absence of public participation and rights of appeal. The WTO -- of which democratic nations form a minority -- will have the authority to rule on the "GATT legality" of U.S. laws, laws which have been democratically passed by the U.S. Congress and signed into law by the President of the United States. If we should fail to conform to a WTO ruling, we would be subject to economic sanctions. We are, in essence, allowing an undemocratic body to "tax" the American people. I would hope that all members of Congress, before voting on this agreement, are fully cognizant of all those federal and state statutes which will be vulnerable to attack -- subject to amendment or complete rescission -- through the

WTO. One of the prices we will pay for "free trade" will be a watering down of essential protections afforded by production, consumer, and environmental laws and regulations.

Last, it is estimated that the GATT will increase the federal budget deficit by as much as \$40 billion over the first 10 years. Given that our astronomical budget deficit has put in jeopardy numerous worthy social programs -- programs for which you, Mr. Chairman, have been one of our strongest advocates over the past 30 years -- and prompted calls for such dramatic action as a Constitutional Amendment to balance the budget -- I find it incredible that the Senate would waive the Budget Act in order to approve an agreement that is alien to the best economic interests of the people of this country.

I urge the Members of this Committee, and the rest of the U.S. Congress to reject the Uruguay Round GATT Agreement.

Thank you.

1st Anniversary Report:

Clinton's NAFTA Promises

to Congress and Workers

by Sarah Anderson, John Cavanagh, and Dan Smith
The Institute for Policy Studies

Preliminary report*

* This IPS report is part of a larger study that will be released by the **Alliance for Responsible Trade** and the **Citizens Trade Campaign** on December 5, 1994. The larger study will include analyses of the impact of NAFTA on the quality of work, the environment, agriculture, as well as an initial look at the institutions set up under the NAFTA labor and environmental agreements. These studies are an initial stage of a monitoring project that is being launched by citizen networks in Mexico, Canada, and the United States to study the impact of growing integration and free market policies on the people and environment of North America.

SUMMARY

November 17th marks the first anniversary of the Congressional vote to approve the North American Trade Agreement (NAFTA). In the weeks leading up to that vote, President Clinton made two sets of promises as he fought for the agreement's passage.

- The first set was to some five dozen members of Congress, promises of specific programs, subsidies, and protections in order to win votes for the agreement.
- The second set of promises attempted to assure environmental, labor and community leaders that their interests would also be protected.

This report assesses the promises to members of Congress and to labor. In sum, our findings are that Clinton largely kept the first set of promises but failed to keep the second.

Promises to Members of Congress

In the weeks leading up to the NAFTA vote, the press reported dozens of alleged promises made by the Clinton Administration to members of Congress. We have counted 104 promises to 62 members. In some of these cases, the member denies that a promise was actually made and since many of the alleged promises were never put on paper, it is difficult to get an exact count. For this report, we examined whether progress was made on each of the alleged promises. We found that in 64 percent of the cases, the Clinton Administration delivered progress in the areas promised. In 22 percent, some part of the promise was fulfilled, and in only 14 percent did the promise go unfulfilled.

Promises to Workers

The Clinton Administration promised that 100,000 jobs would be created in the United States in the first year of NAFTA, and that worker rights would be advanced by the labor side agreement. The supplemental agreement on labor stated that NAFTA will "grow jobs in America and ... promote improved labor conditions and strong enforcement of national labor laws." In order to get a preliminary assessment of the jobs impact, we carried out two exercises:

1. We carefully studied the claims in a new USA*NAFTA document entitled: "NAFTA: It's Working for America." Rather than 100,000 jobs created by NAFTA, we counted only 535 new jobs that the pro-NAFTA group convincingly argued were created by NAFTA.

2. We studied the petitions of tens of thousands of U.S. workers who have filed complaints under a new NAFTA-related Transitional Adjustment Assistance program of the U.S. government. As of November 7, more than 30,000 workers had claims filed on their behalf. Of these, about 12,122 have been certified by the Department of Labor as qualifying for assistance. About half of these cases are directly related to production being shifted from the United States to Mexico.

In sum, the Clinton Administration has done a far better job keeping its promises to certain members of Congress than it has to the working people of this country. We offer these findings as evidence that NAFTA was and is a deeply flawed agreement in terms of the real interests of the majority of people in North America. We emphasize that we do not believe that NAFTA is the sole cause of the problems we have outlined, rather it represents an acceleration of a set of free market policies that have been damaging to the majority of people in Mexico, the United States, and Canada. A very different kind of agreement is needed that addresses the needs of communities, workers, and the environment for both North America and the entire hemisphere.

I. PROMISES TO CONGRESS

Many commentators of the NAFTA debate concluded that the anti-NAFTA forces won on the merits of the argument. In the end, NAFTA was passed only because of the age-old political practice of offering "pork" to members of Congress in exchange for their votes. Newspaper reports in the weeks leading up to the vote were filled with allegations of promises exchanged for votes. In some cases both the Administration and the member acknowledged the promise; in others they denied it.¹

We have studied 104 promises that were reported during the period leading up to November 17, 1993 that involved 62 members of Congress. We conclude the following:

Promises fulfilled:	64% (66 deals with 40 members of Congress)
Partially fulfilled:	22% (23 deals with 23 members of Congress)
Promises broken:	14% (15 deals with 15 members of Congress)

The following is a list of the members of Congress who sold their votes, the gifts they were offered, and whether the Clinton Administration came through with the goods. Where possible, we indicate the cost to the taxpayer of the vote-buying deal.

PROMISES KEPT

Rep. E. B. Johnson (D-Tex.) was promised appropriations for two additional C-17 cargo planes, planes that have consistently failed to withstand the stress of flight. Vought Aircraft, an important Texan contractor for McDonnell Douglas, was the beneficiary of the promise to add two additional planes to the originally requested lot of four.

Status: Although Johnson's Legislative Assistant for defense declined to verify the deal, the McDonnell Douglas PR office confirmed that the appropriation for a lot of six C-17s was in fact made.

Cost: \$300 million.

Rep. Glenn English (D-Okla.), Rep. Bill Brewster (D-Okla.), Rep. Bill Sarpalius (D-Tex.), and Rep. Larry Combest (R-Tex.) wanted limits on shipments of subsidized durum wheat from Canada that they felt had unjustly damaged local farmers since the U.S.-Canadian FTA.

Status: A cap was placed on the subsidized Canadian wheat. The Representatives' offices all felt that Clinton played a major role in negotiating limits on the wheat shipments.

Rep. Esteban Torres (D-Calif.), Rep. Xavier Becerra (D-Calif.), Rep. Nancy Pelosi (D-Calif.), Rep. Lucille Roybal-Allard (D-Calif.), Rep. Ed Pastor (D-Ariz.), and Rep. John Bryant (D-Tex.) were promised that a North American Development Bank to finance infrastructure projects would be created under NAFTA.

Status: An advisory committee for the bank has been set up and all the Representatives' offices expressed satisfaction with the progress that has been made in establishing the bank.
Cost: Congress has already set aside \$56 million for the NADBank for fiscal year 1995, and is expected to continue funding at similar levels in the future.

Rep. David Price (D-N.C.), Tim Valentine (D-N.C.), and Rep. Bob Clement (D-Tenn.) were promised two international air routes for American Airlines to London, one from Raleigh-Durham, and the other from Nashville.

Status: The Department of Transportation awarded both gateways in May over a competing Delta Air Lines route from Utah. Rep. Price's office called any link between his vote on NAFTA and the Department of

Transportation's decision to open the air gate complete speculation.

Rep. Lewis Payne (D-Va.) was promised a National Institute for Standards and Technology in his district that would advise state industry.

Status: The Institute is not completed but Rep. Payne's office is satisfied with the progress that has been made. The Institute will provide consultants for firms in 22 Virginia counties on efficiency, costs, and improvements.

Cost: \$790 million.

Rep. Porter Goss (R-Fla.), Rep. Dan Miller (R-Fla.), Rep. Tom Lewis (R-Fla.), Rep. Harry Johnston (D-Fla.), Rep. Jim Bacchus (D-Fla.), Rep. Carrie Meek (D-Fla.), Rep. Alcee Hastings (D-Fla.), Rep. Earl Hutto (D-Fla.), Rep. Tillie Fowler (R-Fla.), Rep. William Jefferson (D-La.), Rep. James Hayes (D-La.), and Rep. Jim McCrery (R-La.) were all promised protection for citrus and sugar growers in their states as well as construction of an agricultural research center. Rep. Goss's office stated that the interests of citrus and vegetable growers were not represented in the trade negotiations until Clinton began attempting to win votes from Florida's representatives in Congress.

Citrus status: Price and volume safeguards are in place for citrus fruits and frozen concentrate. Mexican growers have not yet reached their limits this year, but when the limits are reached tariffs will be imposed. Safeguards against citrus products from Mexico will continue for another nine years.

Sugar status: The original draft of NAFTA would have allowed Mexico unlimited sugar exports to the United States if it became a net sugar exporter. Since Mexico could have switched to using U.S. corn syrup for domestic use and exported its entire sugar crop, the original NAFTA could have meant disaster for U.S. sugar producers. To win votes, Clinton made sure that the final agreement protects U.S. growers by requiring that Mexico become a net exporter of "sweeteners," which includes corn syrup and sugar, before the Mexican sugar quota is lifted.

Research Center status: An agricultural research center is being built in Ft. Pierce, Florida.

Cost: \$27 million will be spent in this year alone on the Florida center.

Rep. Thomas Ewing (R-Ill.), Rep. Jennifer Dunn (R-Wash.), Rep. Ron Packard (R-Calif.), Rep. Sam Johnson (R-Tex.), Rep. Dennis Hastert (R-Ill.), and Rep. Wayne Allard (R-Colo.) refused to vote for a NAFTA that included any new taxes. In return for their votes, Clinton agreed to back down on his proposed tax on airline and cruise ship fares that was going to finance retraining programs for workers hurt by NAFTA.

Status: Through negotiations with the Administration, the fare taxes were decreased and in four years will be eliminated. Congressman Ewing's office, which headed the opposition to the taxes, saw the negotiated reduction and eventual elimination of the taxes as not only satisfactory but a smashing victory as well.

Cost: Congressman Ewing's office estimates that \$3 billion in tax revenue was lost by the deal.

Rep. John Spratt (D-S.C.), Rep. W. G. Hefner (D-N.C.), and Rep. Nathan Deal (D-Ga.) received promises of better enforcement of existing protection mechanisms against imported textiles and apparel.

Status: The offices of all three Congressmen were satisfied with the progress that has been made in shifting more Customs personnel to enforcement of textile and apparel regulations.

Rep. Bill Sarpalius (D-Tex.) received from Clinton a commitment to keep a helium plant open. The plant operates through the Bureau of Mines and sells exclusively to government agencies.

Status: The helium plant, which the Associated Press referred to as grossly inefficient, has continued to operate and Sarpalius's office denies any connection between the NAFTA debate and the helium plant.

Rep. Bill Sarpalius (D-Tex.) was also promised a high-tech research lab to explore the possible uses of plutonium.

Status: Funding for the center was approved.

Cost: \$9 million in fiscal year 1995 alone.

Rep. Roy Rowland (D-Ga.) was promised a cap on imports of Canadian peanut butter and peanut paste by the Administration.
Status: Representative Rowland's Agriculture Legislative Assistant is happy with the cap which is a set percent of the total U.S. consumption.

Rep. David Hobson (R-Oh.) was promised in one of the President's Statement of Administrative Action that broomcorn producers in the U.S. would be protected from Mexican imports.
Status: Currently the administration is monitoring the situation and Congressman Hobson is confident that tariffs will kick in if U.S. producers come under crippling competition.

Rep. Gerry Studds (D-Mass.) received help from President Clinton on a ship building bill in return for his vote on NAFTA.

Status: The subsidy for the ship industry was approved in Congress. The bill dumped money on an ailing shipyard in the Congressman's district.
Cost: \$1.2 billion.

Rep. Floyd Flake (D-N.Y.) got Clinton to agree to support community development initiatives and to use Congressman Flake's district in pilot development programs in return for his vote on NAFTA.

Status: Flake's office is happy with the Bank Enterprise Act which will help fund community development initiatives. The Act was just passed and Flake's office felt that the Clinton Administration played a major role in its passage.

Cost: \$39 million.

PROMISES PARTIALLY KEPT

Rep. J. J. Pickle (D-Tex.) was offered a \$10 million Center for the Study of Trade in the Western Hemisphere to be located in his district. The center was to give research grants throughout Texas to study issues of trade.
Status: Congressman Pickle's office stated that although they expect the center to become a reality, the Senate has not yet made the \$10 million grant.

Rep. E. Clay Shaw (R-Fla.) got the Administration to agree to pressure the Mexican government to extradite a man suspected of raping Shaw's assistant's niece. The Clinton Administration got the Attorney General of Mexico to agree to extradition before the NAFTA vote. In addition, Congressman Shaw's office also stated that while in Shaw's office, Lee Iacocca received a pledge from Salinas for the extradition of the rapist.

Status: Despite promises from Mexican officials, the suspect has not yet been extradited. Nevertheless, Rep. Shaw is satisfied with the Clinton Administration and Attorney General Janet Reno's efforts to extradite the man.

Rep. Bob Smith (R-Ore.), Rep. Joel Hefley (R-Colo.), Rep. Wayne Allard (R-Colo.), and Rep. Bob Stump (R-Ariz.) wanted to halt

increases in cattle grazing fees on federally owned land in exchange for their NAFTA votes.
Status: Clinton gave up the proposed increases, but the Dept. of Interior is currently introducing the "Rangeland Reform" initiative that will be a weaker version of the original increases which were abandoned during the NAFTA debate.

Rep. Fred Grandy (R-Ia.), and Rep. Neal Smith (D-Ia.) were promised by U.S. Trade Representative Mickey Kantor that the phase-out of tariff barriers on goods produced by Iowan Maytag and Amana appliances makers would be hastened.

Status: Talks between the USTR and the Mexican Government are being held on the early reduction of tariffs on a number of goods including appliances. Rep. Grandy's office stated that talks are currently going on with Mexico and that they are satisfied with the process, whereas Congressman Smith was ambivalent on the issue of the USTR's progress.

Rep. Norman Mineta (D-Calif.) was concerned about the possible effects of Mexican cut flowers on producers in his district. Added into the implementing legislation was the directive

that the Secretary of Agriculture conduct a study on cut flower production and imports.
Status: Business Wire reports that the Clinton Administration did in fact direct the USDA to conduct a study, but no action has been taken. Mineta's office was satisfied with the situation.

Rep. Martin Frost (D-Tex.) wanted to see tariffs fall more quickly on U.S. flat glass in Mexico than provided for by NAFTA.
Status: U.S. Trade Representative Mickey Kantor wrote a letter to the Mexican Secretary of Commerce requesting an acceleration in tariff reductions on flat glass, although no agreement has been reached.

Rep. Peter Hoekstra (R-Mich.) was promised protection for U.S. asparagus growers.
Status: Hoekstra's office stated that they did not know if the Administration was pressing for protection of asparagus growers and that the office respected the confidentiality of presidential recommendations to the USTR. Business Wire reported that in a letter to Congressman Hoekstra, U.S. Trade Representative Mickey Kantor promised to protect U.S. asparagus growers from Mexican imports.

Rep. Benjamin L. Cardin (D-Md.) got assurances that a Quebec chemical plant that receives high levels of Canadian government subsidies would be investigated.
Status: The office feels that the Administration has been responsive to the Congressman's concerns about the subsidies of the Quebec chemical plant, although to this date the Administration has only monitored the situation.

Rep. John Spratt (D-S.C.), Rep. W.G. Hefner (D-N.C.), Rep. Howard Coble (R-N.C.), Rep. John Tanner (D-Tenn.), Rep. Blanche Lambert (D-Ark.), Rep. Marilyn Lloyd (D-Tenn.), Rep. J. Roy Rowland (D-Ga.), Rep. Herbert H. Bateman (R-Va.), Rep. Don Johnson (D-Ga.), Rep. Nathan Deal (D-Ga.), and Rep. George Darden (D-Ga.) wanted U.S. textile quotas under GATT to be phased out over 15 years instead of the originally planned 10 years. The day before the NAFTA vote, President Clinton promised he would get them the 15-year phaseout.
Status: Clinton's attempt to extend the phase-out on quotas failed, although he did negotiate a 17% cut in tariffs protecting textiles and apparel under GATT, after Bush had proposed a 50% cut in tariffs.

PROMISES BROKEN

Rep. Porter Goss (R-Fla.), Rep. Dan Miller (R-Fla.), Rep. Tom Lewis (R-Fla.), Rep. Harry Johnston (D-Fla.), Rep. Jim Bacchus (D-Fla.), Rep. Carrie Meek (D-Fla.), Rep. Alcee Hastings (D-Fla.), Rep. Earl Hutto (D-Fla.), Rep. Tillie Fowler (R-Fla.), Rep. William Jefferson (D-La.), Rep. James Hayes (D-La.), and Rep. Jim McCrery (R-La.) were promised protection for vegetable growers in their states in addition to the citrus and sugar promises.
Status: Rep. Lewis' office stated that a large swell of low-priced winter vegetables from Mexico has hurt Florida growers. The office is not satisfied with President Clinton or the USTR on this issue. Florida Agriculture Commissioner Bob Crawford stated that a surge of low-priced tomatoes has hit the U.S. market, translating into no profits for Florida growers since the beginning of NAFTA on January 1. The Administration is monitoring the situation, but has taken no action.

Rep. Jay Kim (R-Calif.), and Rep. Carlos Moorhead (R-Calif.) were promised that a new treaty to transfer Mexican nationals in U.S. prisons to Mexican prisons would be negotiated.
Status: Congressman Kim's office complains that not only has Clinton failed to make good on any of his promises to facilitate sending Mexicans in U.S. prisons to Mexico, he is only marginally enforcing the current treaty.

Rep. Howard McKeon (R-Calif.) was promised a highway linking the Golden State and Antelope Highways by Transportation Secretary Federico Peña in exchange for his support of NAFTA.
Status: Secretary Peña has not supported the earmarking of funds for the highway link-up despite his pledge.

II. PROMISES TO LABOR

In sharp contrast to its fulfillment of promises to members of Congress that supported NAFTA, the Clinton Administration has failed miserably in its promises to labor. The Administration is attempting to hide its failure in grandiose language that claims that NAFTA is creating 100,000 U.S. jobs in 1994. This claim was repeated in the USA*NAFTA document "NAFTA: It's Working for America," which stated: "In 1994 alone, increased exports to Mexico and Canada could support 100,000 new U.S. jobs." We have scanned this 64-page report carefully for evidence of these claims, and we find them false, misleading, and grossly overblown.

USA*NAFTA Claims

Of the dozens of stories related in the USA*NAFTA document, only in a handful of cases do they present evidence of job gains due to NAFTA. Our careful reading of their report indicates that only 535 jobs can be traced to NAFTA (see table below). It's worth noting that Zenith, the largest job creator cited in the USA*NAFTA report (with 300 jobs) is an even larger job destroyer under NAFTA. The Department of Labor determined this week that a Zenith layoff of 430 workers in Missouri resulted from a shift of production to Mexico.

Firm	State	Jobs Created
Carlsmith Ball	CA	7
United States Filter Corporation	CA	45
Ernst & Young	FL	110
Zenith Corporation	IL	300
Mercator International	OH	5
A.J. Metter Hauling and Rigging, Inc.	TN	35
Ace Hardware	TX	9
Marsh & McLennan	TX	15
Merton Singer Associates	TX	1
Watkins Carter Hamilton Architects	TX	8
Total Jobs Created		535

*A far cry
from the
exaggerated
Administration
claims of
100,000 new
jobs.*

The Evidence

Exports vs. Imports

A major flaw in the projections for huge job gains is that they look only at U.S. export growth to Mexico and ignore the even greater growth in U.S. imports. Just as U.S. exports can create jobs, so too can U.S. imports displace jobs.²

Take, for example, the case of automobiles. USA*NAFTA makes the following claim:

"Perhaps no sector of U.S. industry has experienced the immediate benefits of NAFTA more than the U.S. automotive industry. According to U.S. Department of Commerce statistics, in the first five months of 1994, the U.S. automobile industry exported 12,380 passenger vehicles to Mexico, a vast improvement over the 3,630 units shipped during the same period last year..."

The real picture is quite different:

During the first six months of 1994, U.S. vehicle exports to Mexico did indeed increase by 12,000 compared with the same period in 1993. However, U.S. vehicle imports from Mexico increased by 28,000—more than twice as much as the export gain. On balance, U.S. trade with Mexico in vehicles deteriorated by 16,000 this year—that cost American workers' jobs.

In auto parts trade, U.S. exports to Mexico grew by nearly \$200 million in the first half of 1994 compared with the first half of 1993. But U.S. auto parts imports from Mexico soared by \$1.2 billion. The United States ran a small surplus in auto parts trade with Mexico last year but, under NAFTA, the U.S. ran a \$1 billion deficit.

Overall, the U.S. automotive trade with Mexico in the first half of 1993 produced a \$1.5 billion deficit. This year's first half generated a \$2.6 billion deficit.³

Exports Don't Equal Jobs

Another problem with the Administration claims is that firms do not always translate increased exports into new jobs. In an era of job-cutting technological innovations and corporate down-sizing, firms can increase exports to Mexico or Canada and still cut jobs. A study by David Ranney of the University of Illinois/Chicago demonstrates that the five Illinois industries with the most exports to Mexico between 1987 and 1991 actually eliminated over 9,000 jobs in Illinois between 1991 and 1993. Thus far in 1994, these industries have eliminated an additional 9,000 jobs, led by Illinois' top exporting industry—industrial machinery and computers. A statistical analysis of the relationship between exports and jobs across all industries failed to support the contention that exports lead to jobs.⁴

Quality of Jobs

One of the major claims of the anti-NAFTA forces was that NAFTA-like agreements increase corporate power to bargain down wages, working conditions, and worker rights in all three countries. Before the NAFTA vote, polls of corporate executives indicated that quite a number planned to use the increased mobility that NAFTA offered as leverage in bargaining sessions with their workers. Under NAFTA, this "whipsaw bargaining" is being carried out. Jeff Faux of the Economic Policy Institute reports that in one typical case in September 1994, Leviton Co., of Warwick, Rhode Island, used the threat of moving production of electrical outlets to Mexico to pressure workers into accepting a wage freeze and working 12-hour shifts without overtime pay.⁵ Overall, U.S. real manufacturing wages have been falling since the late 1970s, and wage increases in Mexico have been prevented from rising in tandem with productivity gains.

U.S. Job Loss

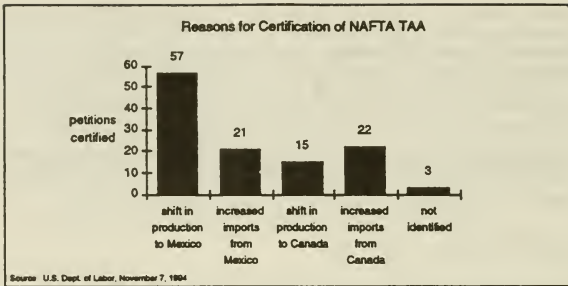
- One of the best gauges of the impact of NAFTA on U.S. workers is the complaint process set up a year ago for NAFTA-related Transitional Adjustment Assistance (TAA). Workers who become dislocated as the result of NAFTA may apply for special benefits, including retraining assistance, income support for those enrolled in training (up to 52 weeks after unemployment compensation runs out), employment services, and job search and relocation allowances. Workers are eligible for NAFTA-related TAA if the U.S. Department of Labor determines that the dislocation resulted from increased imports from Mexico or Canada or a shift of U.S. production to those countries.

Between January 1 and November 7 of this year, 275 petitions for NAFTA-related TAA were filed, representing more than 30,000 U.S. workers. Of these, the Department of Labor certified 118 petitions, representing about 12,122 workers. There are many reasons to believe that these workers represent only the tip of the iceberg of those who have lost their jobs as the result of NAFTA.

- spotchecks of unemployment offices conducted by the AFL-CIO indicate that many dislocated workers are not being informed about the NAFTA-related TAA program;
- some unions are encouraging workers to apply for the general TAA program, which has more lenient deadlines for enrolling in retraining programs and a larger overall budget than NAFTA-related TAA;
- in some cases, it is difficult for the Department of Labor to prove that the layoffs occurred as the result of NAFTA; and
- some jobs lost to NAFTA are simply impossible to count. For example, Johnson Controls designed an engine in its Milwaukee, Wisconsin plant, but recently decided to manufacture the engine in Mexico. In the absence of NAFTA, the company may have decided to produce the engine in the United States, but we will never know for sure.

The NAFTA-related TAA cases, while not representative of total jobs lost, nonetheless provide some interesting clues about the types of industries, communities, and workers that are most vulnerable to the dislocating effects of free trade. In general, they indicate that NAFTA's heaviest burden is falling on some of the most disadvantaged sectors of our society.

- Most of the companies are small manufacturers producing low-tech parts and components or apparel. Workers in these sectors are typically on the bottom end of the production skills and pay ladder and are likely to experience the most difficulty in finding new employment and in maintaining an acceptable standard of living for their families during periods of dislocation.
- There is also evidence to suggest that women make up a large number of the workers who have lost their jobs. For example, the apparel industry, in which women make up more than 70 percent of all workers, appears to have been the hardest-hit industry so far under NAFTA. Apparel workers make up about 30 percent of all workers in NAFTA-related TAA cases resulting from a shift of production to Mexico.
- Many of the communities that have experienced layoffs due to NAFTA are in rural areas. As of October 3, half of all workers certified for NAFTA-related TAA were from rural communities.⁶ Manufacturing in rural areas is typically the low-wage, labor-intensive work that is most likely to be moved to Mexico. Alternative job opportunities are often scarce. In rural Avis, Pennsylvania, for example, sportswear manufacturer Woolrich, Inc. had been the biggest employer before the company decided to lay off all 100 workers and shift production to Mexico in July 1994. Now the biggest employer in Avis is the United Methodist Church, which employs 17 people in its day care center.



About half of workers certified for NAFTA-related TAA lost their jobs as the result of a shift in production to Mexico (see appendix). While this may mean a few more jobs created in Mexico, it is important to point out that the quality of these jobs is almost certain to be quite low. Despite the Administration's claims that NAFTA would result in higher pay and improved working conditions for Mexicans, no such improvements are evident. According to the Coalition for Justice in the Maquiladoras, purchasing power of certain U.S. workers continues to be 15–18 times higher than that of Mexican workers doing similar jobs. Moreover, the violation of basic worker rights in Mexico has continued during the past year, despite increased public attention.

CONCLUSION

The democratic process in the United States was tainted in the NAFTA vote. The Administration purchased votes. Members of Congress who received large campaign contributions from pro-NAFTA corporations were pressured to vote for the pact. The Clinton Administration broke its promises to ordinary workers. The record on these counts is clear.

At the same time, the NAFTA debate brought millions of people in the United States, Mexico, and Canada into the trade debate. The public learned much more about the adverse effects of an integration process in which the rules were being written in favor of large corporations and against labor, family farmers, the environment, and our communities. And, as the true impact of NAFTA and accelerated integration becomes clearer, the call for dramatically different integration agreements rooted in just and sustainable development will grow. This report is a contribution to this call.

Notes

- ¹ See also "NAFTA's Bizarre Bazaar: The Deal Making that Bought Congressional Votes on the North American Free Trade Agreement," Public Citizen, December 1993.
- ² See also "NAFTAmath: Midyear-1994," AFL-CIO, August, 1994.
- ³ Data supplied by the United Auto Workers, October 1994.
- ⁴ This relationship between exports and jobs will receive greater scrutiny in the December 5 study.
- ⁵ Jeff Faux, "I Was Right," *Wall Street Journal*, October 28, 1994.
- ⁶ The U.S. Department of Agriculture Rural-Urban Continuum Code 1993 was used to determine rural status.

Appendix

NAFTA-TAA Certifications Resulting from a Shift in Production to Mexico
(January 1 – November 14, 1994)

FIRM	CITY	STATE	PRODUCTS MADE	WORKERS
A.O. Smith Co.	Mebane	NC	electric motors	40
Alcatel Data Networks	Mt. Laurel	NJ	printed circuit boards	120
Alfred Angelo, Inc.	Horsham	PA	bridal and bridesmaids gowns	41
Allied Signal	El Paso	TX	automotive seat belts	3
American Manufacturing	Anniston	AL	rope	127
American Metal Products	City of Commerce	CA	sheet metal products	57
Anchor Advance Products	Morristown	TN	cosmetic containers	19
BAC-Pritchard	Merced	CA	fiberglass	4
Bell Sports	Lancaster	PA	headlight systems	35
Boss Manufacturing	El Paso	TX	leather work gloves	15
C.R. Bard	Wausau	WI	drainage bags and leg bags	87
Canon Business Machines	Costa Mesa	CA	word processors and cassettes	15
Creative Ceramics	Eagle Pass	TX	wooden bases for ceramic figurines	5
Data Products Corp.	Norcross	GA	ribbon for typewriters	130
Eaton Corporation	Arden	NC	limit switches, proximity sensors	325
Emerson Electric	Logansport	IN	electro-mechanical products, HVAC	200
Hubbell Inc.	Fogelsville	PA	electrical weatherproofed products	5
Innotech	Roanoke	VA	plastic lens	32
ITT Cannon	Santa Ana	CA	electro-mechanical connectors	30
Johnson Controls	Bennington	VT	automotive batteries	276
Kemet Electronics	Greenville	SC	electronic capacitors	50
Key Tronic	Cheney	WA	electronic key boards	277
Keyes Fibre Co.	Hammond	IN	molded paper products	20
Kyocera International	San Diego	CA	ceramic packages	200
Laurel Street Art Club	Hebron	KY	art for furniture retailers	67
MagneTek	Owosso	MI	parts for horsepower motors	31
MagneTek	Huntington	IN	magnetic parts for electronic ballasts	40
Mallinckrodt Medical	New Athens	IL	core temperature monitoring products	60
Matsushita Electric	Franklin Park	IL	televisions	295
McGill Electric Switch	El Paso	TX	snap, toggle and rocker switches	70
National Medical Care	McAllen	TX	bloodlines for dialysis machines	100
Nintendo	Redmond	WA	electronic games	136
Oxford Industries	Lincolnton	GA	women's clothing	95
Oxford Industries	Dawson	GA	men's and boys' sport and dress shirts	340
Parkway Fabricators	South Amboy	NJ	neoprene clothing	16
Polytech Netting Industries	Scottsboro	AL	auto convenience and restraint netting	15

Reliance Comm. Tech.	St. Stephen	SC	enclosures for telecommunications	59
S&H Fabricating	Sanford	FL	air conditioning parts	65
Sara Lee Knit Products	Midway	GA	fleecewear and sweatshirts	245
Simmons Upholstered Furniture	Vancouver	WA	upholstered furniture	20
Smith Corona Corporation	Cortland	NY	typewriters and word processors	574
Sola Optical USA, Inc.	Colonial Hgts.	VA	plastic ophthalmic lenses	320
Square D Corporation	Milwaukee	WI	low voltage transformers	52
Stapleton Garment	Stapleton	GA	women's clothing	75
Steward Inc.	East Ridge	TN	ferrite components for computers	45
Thomas & Betts Corporation	Inman	SC	auto/computer electronic components	114
United Technologies	Tucson	AZ	electronic elevator controls	1
Valeo Climate Control	Fort Worth	TX	automotive air/heater conditioners	171
Viskase Corporation	Osceola	AR	cellulosic casings	130
Waynesboro Apparel	Waynesboro	GA	jeans and shorts for men and women	124
Woolrich	Broomfield	CO	outerwear and sportswear	60
Woolrich	Woolrich	PA	outerwear and sportswear	100
Woolrich	Avis	PA	outerwear and sportswear	130
Woolrich	Blanchard	PA	outerwear and sportswear	220
Xentek	San Marcos	CA	electronic power supplies	30
Xerox Imaging	Peabody	MA	electro-mechanical devices	13
Zenith Electronics	Springfield	MO	plastic molded cabinets	430
TOTAL				6,266

PREPARED STATEMENT OF LORI WALLACH

Mr. Chairman, thank you for the opportunity to testify on the extremely important issue of the Uruguay Round Agreement negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) that it would establish.¹ My name is Lori Wallach. I am the director of Public Citizen's Trade Program.

No one disagrees that the decision now facing Congress is one of the most monumental in decades. However, to date, there has been little discussion about whether or not the United States should join the World Trade Organization. Much of the discussion that has occurred has been couched in economic terms. Economics is only one element of this agreement. Unlike past trade agreements, such as the North American Free Trade Agreement (NAFTA), additionally at stake with this decision is whether we will join a powerful new international organization, the WTO, with jurisdiction and functions that reach far beyond traditional trade matters. As a Member of the WTO, the United States would have the same one vote as every other nation, including the tiny island nation of St. Kitts or Singapore, and none of the sovereignty protections provided, for instance, by our veto at the United Nations, or weighted voting at the World Bank and International Monetary Fund.

U.S. membership in the World Trade Organization has broad legal and political implications that are at least as important as its economic effects. The decision on the Uruguay Round and its World Trade Organization will directly affect the future ability of the Congress and other legislative bodies around the world to maintain and in the future implement policies to regulate commercial activity to guarantee their inhabitants' well being and health on matters as comprehensive as child labor and food safety to local taxes and environmental protection. This is the case because the WTO contains 600 pages of substantive regulations to which all Members'

¹ Citations to the Uruguay Round text are to the December 15, 1993 text published by the Office of the United States Trade Representative. Citations to the GATT implementing bill are to H.R. 5110 transmitted to the Congress on September 27, 1994.

domestic laws must conform and strong enforcement powers through tribunals capable of authorizing trade sanctions against countries whose laws do not conform. The effect on U.S. sovereignty and state-federal relations of the WTO is of such great proportion that Harvard Law Professor Lawrence Tribe has written President Clinton, Senators and testified that such a rearrangement, if desirable, must only come after a treaty vote by two-thirds of the Senate.

The WTO regulations uniformly place the goal of maximized liberalized trade above all others and enforce such an agenda through powerful anti-democratic processes. The World Trade Organization does not even have the weak side agreement on labor and environment of the NAFTA. Attempts by U.S. negotiators to set up formal WTO committees on these issues were rebuked, resulting in an informal two year environmental working group and merely the agreement to consider labor rights as an agenda item at a future WTO planning meeting.

Public Citizen has been involved since 1991 in efforts to ensure that the Uruguay Round Agreement did not undercut domestic standard of living protections, such as our labor, health, safety and environmental laws, nor the domestic policy-making procedures in these areas that assure access to interested citizens and accountability over decision-makers. Our analysis of the Uruguay Round text and its implementing legislation has led us to join the unanimous conclusion of the U.S. environmental movement and the conclusion of almost every U.S. citizens' group that has taken a position on GATT². The Uruguay Round proposal poses a serious threat to vital U.S. federal and state labor, health, safety and environmental laws and policy-making mechanisms.

In fact, it is our conclusion that the Uruguay Round Agreement poses the single greatest and

² Unlike the recent debate on the North American Free Trade Agreement, because the provisions of the Uruguay Round are so detrimental to consumer and environmental policy all U.S. environmental groups and all but one U.S. consumer group oppose the GATT proposal. On NAFTA, there was a split in the US environmental movement because while all environmental groups had concerns about the actual NAFTA text, including its food and other product standards, some groups ultimately supported NAFTA because of the so-called environmental side agreement. All of the national consumer groups also opposed NAFTA because of its food and product standards with the exception of Consumers Union, which took no position on NAFTA. Because GATT's food and products standards are notably worse than NAFTA and no side agreements exist, the pro-NAFTA environmental groups have joined with the anti-NAFTA green groups and with every other consumer and other citizens' group that has a position on GATT, excepting Consumers Union, to call for congressional rejection of this deal.

broadest threat to such citizen protection laws and the democratic establishment of such policies. It is on this basis that we urge the Congress in the strongest terms possible to reject this agreement and send it back for renegotiation.

There is nothing inherent in the concept of having a strong global trade system that would require the infringements of this particular agreement on non-trade matters. Once a Member of the World Trade Organization, the practical possibility of getting out is remote despite provisions that would legally allow to do so. Thus, we must get it right before we get in. Proponents of this particular agreement build scenarios of doom around the failure of immediate passage of this exact agreement. However, the facts simply do not bear up on these ominous threats. The existing GATT, with 120 countries already involved, would continue in operation if the Congress sent the Uruguay Round back to the table for repairs. Unlike NAFTA, this is not a matter of this agreement or no agreement. In fact, in 1947 a similar proposal for an international trade organization was rebuked by the U.S. Senate. Despite dire predictions then, the GATT rules were put in place without the ITO and have functioned as a world trade contract ever since. As well, unlike NAFTA, this is not a trade contract with a two neighboring countries. We should only enter a new powerful international organization with 130 Members when we have the right institution established. The WTO proposal is exactly opposite of what such a good institution with democratic safeguards and respect of labor, environmental and other social priorities could be.

I. Summary

A. The World Trade Organization Would Preset the Parameters of U.S. Policy by Proscribing Policy Goals and Means to Obtain Even GATT-allowable Goals.

At stake with Congress' decision on the Uruguay Round is the fundamental transformation of the existing GATT, an international commercial contract, into a powerful new international organization with vast enforceable substantive regulations that would limit and shape the policies of each member nation on matters far beyond trade and commerce. Most simply, the Uruguay Round would put onto place comprehensive international rules about what policy objectives a country may pursue and what means a country may use to obtain even GATT-legal objectives. Effectively, this system would preset the parameters for domestic policy-making worldwide within criteria that consistently place maximizing trade liberalization as the ultimate and superior policy

goal. All existing state and local laws, as well as to future laws must conform with the World Trade Organization's regulations.³ The World Trade Organization text provides that:

"Each Member shall ensure the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed Agreements."⁴

The Uruguay Round text dramatically extends detailed trade disciplines to many issues, such as food and product safety standards, procurement, environmental standards, investment rules and regulation of service industries that traditionally have been controlled by domestic policy-makers. The WTO regulations would be enforced through the establishment of the powerful new World Trade Organization which would have a binding dispute resolution system through which laws that do not meet the WTO's regulations can be challenged. Successfully challenged rules must be eliminated or amended to meet the WTO criteria or the United States would face perpetual trade sanctions against any sector of the U.S. economy the successful challenger chooses. Few Members of Congress have considered the fundamental change the Uruguay Round would make in the status and relative power of the global trade rules. Approval of the Uruguay Round would replace an international trade contract between countries with a powerful new institution with a permanent structure, powers, functions and an independent legal status the old GATT contract did not have. In several important ways, including the automatic dispute resolution and trade sanction functions described below, the World Trade Organization would have significantly more authority and power vis a vis each World Trade Organization Member nation than the existing GATT.⁵

³ The future under the World Trade Organization was foreshadowed by the recent Clinton Administration announcement that all future U.S. environmental proposals would be put through trade reviews to ensure they complied with U.S. trade obligations. (Inside EPA Weekly Report, Vol. 14, N. 38, September 24, 1993.)

⁴ Agreement Establishing the WTO, Art. XVI - 4. The Annexed Agreements refers to all of the substantive trade rules which were negotiated in the Uruguay Round.

⁵ The new dispute resolution rules would eliminate the procedural "emergency brake" on adoption of dispute panel reports that allowed the U.S. to freeze adoption of the 1991 tuna-dolphin decision. Under the Uruguay Round rules, Congress would have been required to either eliminate the law or pay perpetual trade benefits to Mexico by early 1992. Failure to act would have resulted in automatic trade sanctions.

B. Certain Categories of Laws Would Be Most Vulnerable Under the WTO's Regulations, Including Those based on Process Standards, such as Child Labor Bans.

To demonstrate the broad effect of the WTO's requirements, this testimony will provide detailed descriptions of the problems the WTO would cause two measures:

- o The proposed Harkin-Kennedy Child labor Deterrence Act, and
- o The domestic implementation in Guatemala of the World Health Organization/UNICEF Infant Formula Milk Marketing Code

In fact, a threat of future use of the Uruguay Round regulations has already been employed to weaken the Guatemalan infant formula law. As well, there are several categories of health, safety, labor and environmental laws that would be particularly vulnerable under the WTO regulations.

1. Any Market Access Limitation Based on Production or Manufacturing Processes

Under the WTO, a country may not ban imports of a good based on how it is made. Thus, if two shoes are physically the same, they must be treated the same for GATT purposes regardless of whether one shoe was made in Massachusetts following all U.S. standards and the other was made in by indentured children in Bangladesh. The U.S. has many such process standards on the books, such as bans on driftnet-caught fish and products produced with ozone-depleting substances. As well, new process-based standards have been proposed, such as the Harkin-Kennedy Child Labor Deterrence Act which the U.S. Trade Representative's Office has admitted would be GATT-illegal. The United States cannot effectively enforce its own domestic standards if it cannot control its own market to ensure that its domestic producers are not at a competitive disadvantage for merely following U.S. law. Moreover, if a country cannot distinguish goods on the basis of their production methods, it will be unable to provide a level playing field for domestic companies who incur extra labor, safety and environmental compliance costs.

2. No Unilateral U.S. Action

The WTO would limit the United States executive branch or Congress from maintaining or establishing unilateral measures (versus the multilateral measure of the WTO) that limit or

otherwise affect trade.⁶ Included in this category are U.S. laws that set conditions for entry into the U.S. market, such as requirements to meet certain human rights or labor rights standards or comply with environmental standards banning drift net fishing or whaling and U.S. market opening tools such as Section 301 and its hybrids. Among international policy tools, a country has friendly persuasion, economic benefits and penalties and military force. The Uruguay Round would effectively eliminate the use by a country acting alone of economic benefits and penalties related to or affecting trade. Thus, setting conditions for access to the U.S. market to further our nontrade policy goals would not be allowed. This would be a historical reversal. As the world's largest consumer market, the United States has been able to use access to our market as an incentive for other countries to meet certain international political, environmental, labor rights and human rights goals we support. The Uruguay Round effectively forbids any country from taking any trade action on any issue covered under the broad expanse of the new trade rules without permission from Geneva. This requirement not only curtails U.S. sovereignty, it also would eliminate many of our most successful market opening tools such as Section 301.

3. Laws with "Mixed" Purposes

Laws that take into account the domestic economic implications of other policy goals – such as the economic effects of environmental or health goals – could easily fall outside of the Uruguay Round's requirements. Often, taking into account the domestic economic effect of a measure and working to limit any economic detriment is the necessary precondition for a law's political viability. For instance, the provisions of the Clean Air Act which implement the international ozone agreement, the Montreal Protocol, phase out U.S. use of ozone-depleting substances. The law also provides a ban on importation, as well as sale, of foreign products made with ozone-depleting production methods. The import ban has two goals: One goal is to limit the global demand for goods made with ozone depleting substances. Another goal is to provide a level playing field for U.S. industry by ensuring that U.S. companies do not suffer competitive disadvantage in the U.S. market as a result of complying with the Montreal Protocol's rules.

⁶ World Trade Organization Dispute Settlement Understanding, Article 23. This section, entitled "Strengthening the Multilateral System," requires countries to go through the GATT's tribunal system when evaluating another country's trade practices, deciding if there are problems, suggesting how such problems should be resolved, deciding what is a reasonable time for any changes to occur, and assessing damages of any violation and whether trade sanctions can be used. In short, under the Uruguay Round the United States could not undertake any step of Section 301 or Super 301 except collecting the evidence of a trade violation.

Under the Uruguay Round's regulations, such congressional attention to a non-trade policy's domestic economic implications is viewed as interfering with the market. Another example of this problem is the recent GATT challenge against the U.S. CAFE standards. In that case, the panel ruled that the dual fleet requirement that both a company's domestic and foreign fleets meet the CAFE standards was a violation of GATT because its only purpose was to ensure that compliance with the CAFE standards did not promote auto makers to shift their small car production out of the country. The panel ruled that this provision of the CAFE law must be eliminated. However, that provision was vital to the political success of the CAFE law because it was necessary for support from unions.

4. The Means Used to Accomplish Even a GATT-Allowable Policy Goal Must Be "Least Trade Restrictive"

The means used to accomplish even GATT-legal goals must be the "least trade restrictive," regardless if such alternatives would be politically feasible. Already Japan has stated in the press that it will challenge U.S. federal and state bans on raw log exports. Export bans, argue the Japanese, are the most trade restrictive means of conserving U.S. forests. The Japanese might be right as to the trade restrictiveness of the raw log export ban. However, such a ban was the only political possible (partial) solution to the extremely volatile logging fight in the Pacific Northwest. By banning raw log exports, the law would provide jobs in lumber processing for lumberjacks laid off from tree cutting by the laws' numerical limits on forresting. No other solution was acceptable. Under the World Trade Organization, such political realities are irrelevant. The United States would almost certainly lose a challenge of these export bans and policy makers would be left without any politically viable means to obtain their goal of conserving the forests. Almost any ban on export or import of a product would be vulnerable under the least trade restrictive test. Thus, Canada has already argued that the U.S. asbestos ban violates GATT because it was not the least trade restrictive way to limit asbestos health dangers. As evidence, the Canadians cited that some other countries limited asbestos use or certain types of asbestos, but did not have flat bans on the substance.

5. Federal Standards that Go Beyond International Standards and State Standards that Go Beyond Federal or International Standards.

Our standards are in jeopardy even if they are undertaken pursuant to international

environmental agreements, since there is no exception to the Uruguay Round's rules for such standards. Thus, bans on ozone-depleting chemicals pursuant to the Montreal Protocol on Substances that Deplete the Ozone Layer or on trade in endangered species pursuant to the Convention on International Trade in Endangered Species of Wild Fauna and Flora would be vulnerable under the least trade-restrictive alternative test. These are only two of the best known international environmental agreement the WTO would trump — also with strong support in Congress is the drift net fishing ban protocol which is enforced through the Pelly Amendment. As well, the WTO has as a primary goal "harmonizing" standards as between countries. Our notion of state federalism is directly contrary to the harmonization agenda.

C. The WTO's Regulations in the Areas of Food and Other Product Standards Would Undermine U.S. Consumer and Environmental Policy.

This testimony will describe how the Uruguay Round Agreement and its implementing legislation could undermine U.S. and state health, safety and environmental standards and policy-making mechanism in five specific, related ways⁷:

- (1) by requiring downward harmonization to weaker standards;
- (2) by limiting the goals the U.S. may pursue in its standards by restricting what issues would be considered "legitimate" grounds for regulation, by elevating the role of science in a manner that limits policy options, and by constraining the level of protection the U.S. could choose for even GATT-legitimate goals, including review of the scientific basis of U.S. standards and requiring that such standards be based on risk assessment;
- (3) by limiting the means the U.S. may use to promote GATT-allowable health, safety, and environmental goals with the requirement that such means be least trade restrictive regardless of political feasibility;
- (4) by requiring the U.S. to accept imports that do not meet our standards, but meet other countries' standards that are "equivalent;" and
- (5) by specific statutory changes in the implementing bill to existing U.S. standards, such as those relating to inspection standards for poultry and meat imports.

⁷ This testimony focusses on the four chapters of the Uruguay Round text that most directly relate to environmental and consumer protection: the Agreement Establishing the World Trade Organization (WTO Agreement), the Dispute Settlement Understanding, the Sanitary and Phytosanitary Standards (SPS Agreement), and Agreement on Technical Barriers to Trade (TBT Agreement.)

D. The World Trade Organization Would Provide Strong Enforcement of These Bad GATT Rules Through Secretive Dispute Tribunals and Trade Sanctions.

The gravity of the Uruguay Round mandates is compounded because trade challenges to our standard of living laws such as health, safety, child labor or environmental measures will be resolved by trade experts in the secretive dispute resolution system that would be established under the World Trade Organization that is stacked against non-trade interests. This testimony will detail the proposed procedures of the WTO dispute resolution which would empower unaccountable trade experts to second-guess the policy decisions of the Congress and U.S. state legislatures. The dispute resolution system features tribunals of three trade experts chosen from a roster. There are no conflict of interest rules, although many panelists pursue separate business careers. There is no outside appeal and all proceedings and documents are kept secret. The extreme secrecy of the WTO dispute system promoted 50 newspaper publishers and heads of journalistic professional societies organized by the Freedom Forum to write to President Clinton condemning the procedures.⁸ The dispute resolution system could undermine U.S. consumer, health, environmental, labor and other social laws both through direct challenges of existing laws and through the chilling effect threatened challenges would have on future efforts to establish laws in these areas.

E. The Uruguay Round Presents Additional Threats to State Laws.

The Uruguay Round presents new and additional threats to state law compared to the existing GATT, which itself makes federal government responsible for GATT compliance of subfederal governments. The significant rearrangement of state-federal relations that the Uruguay Round would affect has caused leading U.S. constitutional scholar and Harvard Law Professor Lawrence Tribe to call for the agreement to be considered under the constitutional provisions for treaties requiring 2/3 approval by the Senate. Some sections of the Uruguay Round text, including the food standards agreement, require federal governments to "formulate and implement positive measures and mechanisms" to force state compliance with GATT rules, thus increasing the federal government obligation to include taking affirmative steps to ensure state compliance with GATT

⁸ Letter of John Siegenthaler et al to President Clinton, September 14, 1994.

rules.⁹ The Uruguay Round standards texts also provide new hooks for challenges against state laws. For instance, the food standards agreement provides that countries' standards shall not "unjustifiably discriminate between Members where identical or similar conditions prevail, including within their own territory."¹⁰ While the U.S. might argue that the principles of federalism justify the many difference between U.S. federal and state laws covering the same issue, the GATT does not support federalism as a legitimate basis for such action. In fact, the GATT standards texts call for just the opposite, specifying that countries should harmonize standards as between themselves. Thus, under the proposed Uruguay Round text, the very difference between federal and state standards could in itself provide a new basis for trade challenge.

F. The Uruguay Round Would Result in a de Facto Shift of Power on Domestic Policy-Making Away from Congress in Favor of the World Trade Organization.

Proponents of the Uruguay Round have made their central defense to the anti-democratic dispute system of the proposed World Trade Organization the fact that de jure, the World Trade Organization could not literally change U.S. laws. This argument is either disingenuous or naive, as de facto, acceptance of the World Trade Organization dispute system would place the U.S. Congress in an untenable position: either eliminate or alter such challenged laws or face perpetual economic sanctions. By agreeing to this process, the United States would be placed in a situation in which it be required to pay a perpetual bribe merely for the honor of maintaining its law. Moreover, the potential to put Congress in this position will provide a great incentive for U.S. companies to "rent-a-government" to pursue trade challenges of policies that could not be shaped to their liking through the democratic process. The political power balance will de facto be reshaped when a U.S. law that has been successfully challenged would have added to its opponents whatever industry is the selected target for sanctions. Thus, a successful challenge of a U.S. food safety law could result in sanctions against the U.S. telecommunications industry, adding to the food law's chemical company and agribusiness opponents a list of telecommunication giants who would pressure Congress to stop the sanctions by following GATT's demands to change or eliminate the law.

⁹ SPS Agreement at paragraph 45.

¹⁰ SPS Agreement, paragraph 7.

The outcome of pitting additional economic interests against U.S. environmental, consumer, health or labor laws has been foreshadowed. Already, the mere threat of such challenges or adverse trade effects under the weaker existing GATT dispute system has chilled action or caused reversals on environmental and consumer issues. For instance, after a 1991 threat of GATT action by the European Community, EPA issued a interim tolerance based on data it had concluded in public rulemaking was not sufficient that allowed European wine imports containing a pesticide, procymidone, not allowed in the U.S.¹¹ After Venezuela threatened GATT action in the spring of 1994, the Administration attempted to reverse Clean Air rules for Venezuelan gasoline imports. The EPA published a notice to change the rule despite the final agency rule having been developed in a rulemaking in which the Venezuelan government had already participated. Ultimately, Congress reversed the Administration in a budget rider and in early October, Venezuela filed a GATT challenge against the Clean Air Act. As well, threats of GATT action in 1991 by countries involved in the importation of wild-caught birds for the pet trade caused the Bush Administration to hold hostage until the last day of the 102nd Congress a bill banning sale of wild-caught birds which was ultimately passed after it had been weakened.

II. Child Labor Bans and Guatemala's Infant Formula Law: Examples of How Broadly the WTO Would Limit Protection of Health, Labor Rights, and the Environment.

In the next section, this testimony explicates the two WTO chapters that would establish international regulations for our food and other product safety standards. Proponents of the WTO have argued that these provisions would not cause the harm our analysis concludes. Already under the weaker existing GATT, the United States has lost two different challenges against our Marine mammal Protection Act and obtained a split decision on a challenge against our CAFE standards in which one part of the fuel efficiency law was ruled GATT-illegal. However, to substantiate our analysis of the proposed WTO regulations, we present other already existing instance in which these rules are being used to trump legitimate labor rights, health, safety and environmental provisions.

A. The Proposed Child Labor Deterrence Act

The proposed Child Labor Deterrence Act, sponsored by Sen. Harkin and cosponsored by

¹¹ 56 Fed. Reg. 19,518 (April 26, 1991.)

Chairman Kennedy, would provide a much needed tool in the fight against the growing international pattern of child labor. As noted by the bill's sponsor, Senator Harkin, in an October 30, 1994 Boston Globe story on GATT and child labor: "If a Third World Country wants to compete in the global economy, what does it have to compete with? Cheap labor. And the cheapest source of labor is kids. So, in some ways, this new GATT could actually be a stimulus to using more child labor in Third World countries." At the same time that the Uruguay Round might stimulate more child labor, it would also make domestic bans of child labor produced goods an illegal trade practice punishable by retaliatory trade sanctions.

The proposed Child Labor Deterrence Act would ban sale in the United States of goods made by children under the age of 15. It would treat imported and domestic goods exactly the same. However, even in situation where there is no facial trade discrimination, GATT's regulations would subjugate social standards to the imperatives of maximizing trade liberalization.

As conceded by the Clinton Administration in the Boston Globe story and as described in detail in a Congressional research Service legal brief, the child labor law would conflict with the GATT's regulations. According the Congressional Research Service: "It would appear that the imposition of a ban under the statute (The Child Labor Deterrence Act) would be inconsistent with GATT articles prohibiting quantitative restrictions on imports and requiring national and most-favored-nation treatment of imported products and that, further, it may be difficult to justify a ban under GATT exceptions... Among possible GATT-consistent approaches to minimizing or eliminating international trade in child labor may be the use of labelling laws..."¹²

While the CRS memo explains the proposed law's GATT problems in detail, there are three basic problems under GATT for the proposed law. First, the GATT regulations do not allow distinctions between physically similar goods on the basis of how they were produced. Under the bill two garments could appear physically the same, but the one made with child labor would be kept out of the U.S. market. A core provisions of GATT, contained in its Article III, is "national treatment" which requires that "like" domestic and foreign goods be given the same internal

¹² Congressional Research Service, American Law Division, Memo to Senator Tom Harkin, "Whether Legislation Authorizing Restrictions on the Importation of Good Produced by Child Labor Is Consistent with the GATT." July 15, 1993.

regulatory treatment.¹³ Because GATT does not recognize differences based on process or production methods, from GATT's perspective, the United States would be discriminating between two "like goods" by keeping out the child labor product.

Second, the GATT rules generally do not allow quantitative restrictions on imports in Article XI:1. A ban on imports of products originating in another GATT or WTC member is such a quantitative restriction.

If inconsistent with either of these provisions, and the CRS memo suggests the proposed law would fail both, the child labor product ban would need to be justifiable under a GATT exception. GATT panels have construed the exceptions enumerated in GATT Article XX narrowly, placing the burden on the party invoking an exception. There is no GATT exception for child labor. There is a GATT exception allowing violation of other GATT rules in the name of keeping out of a market products made with prison labor.¹⁴ However, the inclusion of that one specific labor exception highlights the absence of other enumerated labor rights. There is another exception allowed for measures "necessary to protection human... life or health."¹⁵ However, the recent GATT Tuna-Dolphin panels have indicated that this provision was intended to allow a country only to impose measures necessary for protection of life or health within its geographic territory. This exception could not be used to defend a measure, such as the Child Labor Deterrence Act, that attempts to preserve human health and life outside of U.S. territory. As well, that exception requires that a measure is "necessary." The term necessary has been interpreted in GATT jurisprudence to mean that the measure is the least trade restrictive means to accomplish a goal. As noted in the CRS memo and by U.S. trading partners who oppose the child labor ban, a less trade restrictive way to touch the child labor issue would be labelling of child labor goods.

While these GATT provisions exist in the current GATT, under the World Trade Organization the United State could no longer block sanctions against it for GATT rulings it finds morally unacceptable. The 1991 ruling against the U.S. dolphin protection law was blocked by the

¹³ GATT Article III:4.

¹⁴ GATT Article XX (e).

¹⁵ GATT Article XX (b).

United States. Under the current GATT, unanimous consensus of all nations is required to adopt a panel ruling and impose sanctions. However, in the proposed World Trade Organization, the situation is reversed with unanimous consensus required to stop imposition of sanctions. Thus, as noted by Harvard Professor Tribe in his testimony to the Senate Commerce Committee, under the WTO, one country could overrule the will of all other WTO Members to stop sanctions. Considering the growing amount of child labor trade documented in the September, 1994 Department of Labor report on the issue, the potential for significant trade sanctions against the United States for enforcing a child labor ban is real. Under the WTO, the country or countries who have won a challenge are allowed to choose which sector of the U.S. economy they will sanction to the full amount of their lost trade. Thus, for enforcing a ban on child labor products, major U.S. exports such as agricultural products or telecommunications services could be sanctioned with higher tariffs or limited market access in the winning countries. "The more you break down trade barriers, the more closely trade has to be linked with human rights. But that is not happening. We are going in the other direction," said Senator Harkin in the Boston Globe.

B. Trade Threat Pressures Guatemala Into Weakening Infant Health Protections

Besides the possibility of actual trade challenges by one country against another's laws, the WTO would provide leverage for companies to threaten countries into dropping or weakening their laws even without a formal GATT challenge. Such a case of a company successfully threatening trade action to weaken a health protection has already occurred in Guatemala.

Guatemala has been recognized as a leader in its promotion of breast feeding under the World Health Organization (WHO) - United Nations International Children Education Fund (UNICEF) Code on the Marketing of Breast Milk substitutes, known commonly as WHO-UNICEF Infant Formula Code. Chairman Kennedy's leadership on the infant formula issue was a major factor in the development of the WHO-UNICEF Code. The Code was developed to protect the lives of infants by promoting breast feeding to fight high infant mortality caused by substitution of breast milk with artificial breast milk substitutes. UNICEF estimate that this Code saves as many as one million babies each year. The Code was aimed particularly at saving babies in developing countries. There, children were dying from dehydration caused by intestinal diseases that resulted from the mixing of infant formulas with contaminated water. As well, babies were

forgoing the immunological benefits of breast feeding.

A goal of the Code was to counter aggressive marketing by formula companies aimed at convincing mothers that formula was superior to breast milk for their babies. The Code among other things, forbids the use of pictures of babies on baby food labels for products for children under two years of age. Use of pictorial representations, such as babies or doctors, was a highly effective means to persuade mothers that the breast milk substitute was better for their children than breast feeding. In countries with low literacy rates, such pictorial representations are especially powerful.

Guatemala passed a domestic law implementing the WHO Code in 1988 as all signatory nations have agreed to do. Guatemala's domestic and foreign suppliers of infant formula and other breast milk substitutes made the changes necessary to comply with Guatemala's law, which parallel to the Code, forbids the use of pictures of babies on packaging of products for children under age two.

The U.S. baby food company Gerber sought access to the Guatemalan market for its products. Gerber has had its trademark, which includes the Gerber "baby face," registered in Guatemala since the 1940s. The Guatemala Ministry of Health, vested with enforcement of the Guatemalan Law on the Protection of Breastfeeding, negotiated with Gerber to seek compliance by Gerber with the law, requiring Gerber to remove the baby face from its packaging on foods for infants under age two. The Ministry of Health did not challenge the validity of the Gerber trademark as registered under Guatemalan law nor its use on products that were not covered by the Guatemalan Law for the Protection of Breastfeeding. During these negotiations, Gerber was allowed to sell its product in noncomplying packaging in Guatemala under a temporary permit. After several years passed and it became clear that Gerber did not intend to make the necessary changes to comply with the law, Guatemala notified Gerber it could no longer sell the nonconforming products in the country.

Gerber began threatening Guatemala with trade actions under GATT and other trade measures, such as the U.S. Generalized System of Preferences. In its GSP petition against Guatemala, Gerber argued that the Guatemalan law violated the intellectual property provisions

of the pending GATT Uruguay Round. According to Gerber's petition, those GATT provisions would not provide for an exception from trademark protection for the enforcement of a conflicting domestic health law that limits use of a trademark. As well, Gerber initiated legal action in Guatemala. After the legal proceedings resulted in an injunction against Gerber products, Gerber escalated its trade threats. After years of resisting Gerber's pressure, the Guatemalan government suddenly dropped the enforcement of their law and allowed Gerber to sell its products that violate the Guatemalan law. In a June 16, 1994 letter to the Guatemalan President, Gerber's Vice President for Latin American wrote: "Upon the favorable and permanent solution of this matter, we will withdraw all complaints before the CBI, GATT and any other future instance before the authorities of the Generalized System of Preferences. We will be prepared to reactivate the defense efforts for our rights before CBI, GATT and in the Congress of the United States of America, if a final and favorable resolution is not reached in the short term."¹⁶

Although only another country can actually initiate GATT action against another country, the threat of such action proved sufficient to overpower Guatemala's otherwise strong enforcement of a law which has received significant positive international attention for its effectiveness in protecting the lives of Guatemalan babies.

III. The Uruguay Round Jeopardizes U.S. Food Safety and Other Health, Safety, and Environmental Standards

The Uruguay Round Agreement and its implementing text could undermine U.S. and state health, safety and environmental standards in five related ways:

- (1) by requiring downward harmonization to weaker standards;
- (2) by limiting the goals the U.S. may pursue in its standards;
- (3) by limiting the means the U.S. may use to promote GATT-allowable health, safety, and environmental goals;
- (4) by requiring the U.S. to accept imports that do not meet our standards, but meet other

¹⁶ 16 June 1994 Letter to President Ramiro de Leon Carpio from Frank T. Kelly, Gerber Vice President and General Manager for Latin America.

countries' standards that are "equivalent;" and

(5) by specific statutory changes existing in the implementing bill to existing U.S. standards, such as those relating to inspection standards for poultry and meat imports.

The gravity of the Uruguay Round mandates is compounded because trade challenges to health, safety, and environmental measures will be resolved by trade experts in the secret system described below that is stacked against consumer and environmental interests.

The Uruguay Round's principal standards provisions are found in the Agreement on the Application of Sanitary and Phytosanitary ("SPS") Measures, which addresses measures to protect human, animal, or plant life or health from risks arising from additives, contaminants, toxins, diseases, or pests, where such measures may, directly or indirectly, affect international trade¹⁷, and in the Agreement on Technical Barriers to Trade ("TBT"), which covers all product regulation other than that addressed in the SPS Agreement.¹⁸ Both Agreements address a vast expanse of domestic regulation, ranging from end-product criteria to labeling and packaging requirements to risk assessment methods to testing, certification, inspection, and approval procedures.¹⁹

Although many of the specific provisions differ, both Agreements promote downward harmonization of health, safety, and environmental standards. They also both impose significant limitations on the goals that countries' may pursue in such standards and the means that they may use to achieve those goals.

A. The Uruguay Round's Harmonization Provisions Could Have the Effect of Forcing the United States and the States to Lower Health, Safety and Environmental Standards.

In order to promote the harmonization of food safety and other standards, the WTO's

¹⁷ SPS Agreement, Annex, ¶ 1.

¹⁸ TBT Agreement ¶ 1.5; Annex 1, ¶¶ 1-3.

¹⁹ The term "standards" is used herein to refer to all laws, regulations, guidelines, requirements, recommendations, inspection, conformity assessment, and other procedures that are covered by the SPS and TBT Agreements. Other Uruguay Round provisions may also affect health, safety, and environmental protections, such as the Agreement on Government Procurement, and the Agreement on Subsidies and Countervailing Measures.

standards agreements require countries to base their domestic standards on international standards. The SPS Agreement requires countries to "base their sanitary and phytosanitary measures on international standards, guidelines or recommendations . . ." ²⁰ Domestic standards that conform to international ones are presumed to be consistent with both the SPS Agreement and GATT, although that presumption may be rebutted. ²¹ Domestic standards that do not conform to international ones must satisfy a battery of GATT tests in order not to be considered an unfair trade barrier.

The Agreement permits countries to have food safety measures that achieve a higher level of protection than relevant international standards only in two circumstances. ²² These circumstances are discussed below in connection with constraints on the level of protection afforded by food safety standards. Even where a higher level of protection is permissible, the standard, on its face and as applied, must comply with all of the other GATT requirements to pass muster under GATT.

The TBT Agreement requires countries to base technical standards and conformity assessment procedures on international standards, even where they are not yet completed, but their completion is imminent. ²³ The only exception is when the international standard "would be an ineffective or inappropriate means for the fulfillment of the legitimate objectives pursued, for instance because of fundamental climatic or geographical factors or fundamental technological problems." ²⁴

Note that the examples are both modified by the word "fundamental" and they are objective rather than subjective conditions. Noticeably omitted from the list of exceptions is that the international standard provides an insufficient level of protection, a factor specifically listed

²⁰ SPS Agreement at ¶ 9.

²¹ *Id.* at ¶ 10.

²² *Id.* at ¶¶ 11, 16-23.

²³ TBT Agreement at ¶¶ 2.4, 5.4.

²⁴ *Id.* at ¶ 2.4.

in an analogous provision elsewhere in the TBT Agreement.²⁵ Thus, the TBT Agreement substantially limits the reasons that may justify not using an international standard and also allows the legitimacy of a country's objectives to be called into question.

By requiring U.S. standards to be based on international ones, and establishing an entire separate set of rules applicable only to those rules that provide greater public health protection than international standards, the Uruguay Round creates strong incentives to avoid exceeding international standards. The international standards serve as a ceiling, not a floor, curtailing innovative solutions to public health problems that are ahead of the international status quo, but not requiring that any solutions be put into place. In other words, the Uruguay Round contains no incentives, let alone any mandates, that countries, at a minimum, afford the level of protection provided by relevant international standards.

Such downward harmonization would have alarming public health consequences. International standards are generally developed in secret with extensive industry input, but no public oversight or participation. Thus, they are often weaker than U.S. standards.

The SPS Agreement identifies the Codex Alimentarius Commission ("Codex") as the international body establishing presumptively trade legitimate food safety standards. Codex is a U.N. body established in 1962 primarily to facilitate international trade by addressing health issues in the trade context. It is made up of government officials, who participate with the active assistance of industry advisors. National industry food giants, such as Hershey Foods, Nestle U.S.A., Kraft General Foods, Coca Cola Company, and Pepsi Company, and trade groups, such as Grocery Manufacturers of America and the National Food Processors Association, have been present in full force at Codex meetings²⁶.

Public Citizen and the Environmental Working Group published an extensive study on the Uruguay Round's implications for U.S. food safety that closely analyzed Codex standard-setting

²⁵ *Id.* at Annex 3, ¶ F.

²⁶ See Ritchie, "GATT, Agriculture and the Environment: The Double Zero Plan," 20 *The Ecologist* 214, 217 (Nov./Dec. 1990); 56 Fed. Reg. 29,050-51 (June 25, 1991).

procedures and compared some Codex standards to U.S. standards in the area of pesticides.²⁷ In summary, that study found that the Codex pesticide standard-setting process is poorly suited to the task of setting presumptively correct international pesticide standards because: Codex's public health mission has lagged behind its trade agenda; Codex operates with extensive influence from the chemical and food industries and little consumer, environmental or public input; Codex has no minimum requirements for the content and completeness of the data sets that it uses to establish allowable levels of pesticides on food; Codex does not assess human dietary exposures to pesticides in different countries when establishing tolerance for pesticides in international commerce; and Codex uses a generally less protective standard-setting process than the United States to regulate carcinogens.

Many Codex standards are less protective of public health than U.S. standards. Original scientific analysis done by the Environmental Working Group concluded that there are 40 pesticides with 569 Codex tolerances where the United States has no tolerance for any food use at all. Of these 40, eight are rated as highly hazardous by the World Trade Organization and six are classified as carcinogens by the U.S. EPA. There are 1,787 pesticide/crop combinations where Codex allows greater amounts of pesticide residues, and thus less health protection, than U.S. standards do.²⁸

B. The Uruguay Round Imposes Limitations on the Goals the U.S. May Legitimately Pursue in its Environmental health and safety Standards.

1. Limitations on Food Safety Goals

The Uruguay Round limits the goals that countries may pursue in their domestic food safety laws in several important ways.

a. The Uruguay Round's Scientific Basis and Risk Assessment Requirements Would Constrain Food Safety Measures.

Under the Uruguay Round, food safety measures that exceed Codex standards:

²⁷ Public Citizen and the Environmental Working Group, *Trading Away U.S. Food Safety*, April 1994.

²⁸ *Id.* at ii.

o must be "based on scientific principles;"

o must "not be maintained without sufficient scientific evidence;" and

o must be based on a risk assessment, taking into account risk assessment techniques developed by relevant international organizations.²⁹

These requirements taken together attempt to eliminate all "non-science" factors from food standard-setting. However, political judgments play a central role in food safety policy-making. While science plays a valuable role in informing such policy decisions, it is ultimately Congress or a state legislature that must make the political decision about how much risk society will face under a food safety law. Thus, Congress may make the political decision to allow zero risk from a particular hazard, rather than establishing an allowable level of risk. Or, Congress may decide under the notion of the precautionary principle, not to allow exposure to a substance until it has been proved safe before there is conclusive scientific evidence that the substance is harmful.

The Uruguay Round's science requirements may jeopardize cutting-edge food safety regulation in areas, such as food irradiation, biotechnology, and the use of growth hormones in beef production, where the scientific evidence is not yet in, but a country wishes to protect its citizens from possible, but uncertain, harm under the precautionary principle. Indeed, the United States claimed that a European Community ban on imports of hormone-treated beef lacked scientific support, and thus was a disguised restraint on trade.

i. The Uruguay Round Would Enable Trade Experts to Second-Guess the Sufficiency of the Scientific Evidence Underlying Food Safety Standards

The requirement that a standard not be "maintained without sufficient scientific evidence"³⁰ is in contrast to the NAFTA requirement that an SPS measure not be maintained "where there is no longer a scientific basis."³¹ The Administration stressed the importance of the precise language used in NAFTA's SPS provisions:

It is clear that under the NAFTA, the requirement that measures be based on "scientific

²⁹ SPS Agreement ¶¶ 6, 16-17.

³⁰ SPS Agreement para. 6.

³¹ NAFTA Article 712 (3).

principles" and not be maintained "where there is no longer a scientific basis" do not involve a situation where a dispute settlement panel may substitute its scientific judgement for that of the government maintaining the sanitary or phytosanitary measure. The question under the NAFTA in this regard is whether the government maintaining the ... measure has "a scientific basis" for the measure. "Scientific basis" is defined as "a reason based on data or information derived using scientific methods." The question is also not whether the measure was based on the "best" science or the "preponderance" of science or whether there was conflicting science. The question is only whether the government maintaining the measure has a scientific basis for it.³²

NAFTA and the Uruguay Round both require that SPS measure be based on scientific principles. Where the WTO Agreement differs is in what scientific basis is required to continue the validity of a measure over time. NAFTA requires only a scientific basis, which it defines as "a reason based on data or information derived using scientific methods." The Uruguay Round requires that measures be based on "sufficient" scientific evidence. Thus, the Uruguay Round invites other countries and dispute settlement panels to second-guess the sufficiency of the scientific evidence underlying legislative and regulatory decisions opening U.S. laws to attack on the basis of dueling science.

The term "sufficient" is not defined in the Uruguay Round text. Thus, it is not clear whether it is a procedural requirement that some scientific evidence exist or a substantive requirement going to the content and strength of the evidence. The decision of what sort of burden the subjective term "sufficient" places on a country defending its food standard is in itself a subjective decision that the Uruguay Round would empower dispute resolution panelists to determine in closed World Trade Organization dispute resolution proceedings.

ii. The Uruguay Round Risk Assessment Mandate Would Preclude the Strongest Food Safety Standards

Under the Uruguay Round, food safety measures must be based on risk assessment. Risk assessment is rooted in the notion that the exposure to all toxins, regardless of potency, is safe, if the exposure is low enough. The foundation of risk assessment is the notion that scientists can accurately predict the consequences of a numerous and ever-expanding list of different food additives all interacting in the human body. In fact, scientists will never be able to make these

³² NAFTA Statement of Administrative Action at 93.

First, a country may have a higher level of protection "if there is a scientific justification." ~

Such a justification may be evident only if a country concludes that the international standard is "not sufficient to achieve its appropriate level of protection" based on "an examination and evaluation of available scientific information in conformity with the relevant provisions of this Agreement."³⁵ In other words, the scientific justification must be based on risk assessment undertaken in accordance with GATT's terms. As noted above, since the level of protection is a policy judgement made through legislation or regulation as a political matter, this exception will rarely be useful to safeguard U.S. standards that provide a higher level of protection than international standards. For instance, the Delaney Clause was based on a congressional decision not to expose the American public to cancer risks in the food supply, thus its level of protection may not be considered to be based on an examination or evaluation of scientific evidence.

Second, a country may have a higher level of protection if it bases that level of protection on a risk assessment undertaken in accordance with GATT, and it achieves consistency in its levels of protection against all risks to human life or health or to animal and plant life or health in its SPS measures.³⁶ More specifically, countries must "avoid arbitrary or unjustifiable distinctions in the levels it considers to be appropriate in different situations, if such distinctions result in discrimination or a disguised restriction on international trade."³⁷ The term "unjustifiable" is inherently subjective and value-laden, which invites countries, and ultimately dispute settlement panels to substitute their own judgments for those made by domestic regulators and policymakers. The same may be true of the term "arbitrary." As one pro-GATT commentator has asked, "is it arbitrary to have a zero-risk standard for carcinogenicity but a less protective risk standard for bacterial contamination?"³⁸

This prohibition on unjustifiable distinctions in levels of health protection applies apart

³⁴ SPS Agreement at ¶ 11.

³⁵ Id. at ¶ 11 n.2.

³⁶ Id. at ¶¶ 11, 16-20.7

³⁷ Id. at ¶ 20.

³⁸ Charnovitz, Steve, "The World Trade Organization and Environmental Supervision," International Environmental Reporter, at 90. (Jan. 26, 1994.)

from the relevance any international standard. Thus, it is applicable where no international standard exists, and it could form the grounds for rebutting the presumption that use of an international standard is consistent with GATT.

Thus, U.S. food safety standards may be vulnerable to challenge because of the many distinctions in the levels of protection afforded in standards dealing with various exposures to pesticides, food additives, microbiological contamination, and food irradiation, particularly when state standards are in the calculus. For pesticides residues in food, 0 risk is permitted for certain exposures to carcinogens, 1 in 1,000,000 risk is allowed for some health effects, including other exposures to carcinogens, and greater health risks are permitted in still other situations. In contrast, there are few standards for fish inspection laying out the level of risk permitted. Moreover, because states are permitted to provide greater public health protection than the federal government, less risk may be tolerated in a particular state.

In addition to avoiding unjustifiable distinctions in levels of protection, countries are admonished to "take into account the objective of minimizing negative trade effects" in setting their appropriate levels of protection.³⁹ Of course, many food safety statutes establish a public health mandate that forbids consideration of such trade concerns.

2. The Uruguay Round Would Limit the Goals of Technical Standards

The TBT Agreement provides as examples of the "legitimate objectives" that may be pursued in technical regulations and standards: "national security requirements; the prevention of deceptive practices; and protection of human health or safety, animal or plant life or health, or the environment."⁴⁰ The TBT Agreement presumes that technical regulations conforming to international ones do not create unnecessary obstacles to trade, if they are adopted or applied for one of these legitimate objectives.⁴¹ For this purpose, the listing is exhaustive.

³⁹ *Id.* at ¶ 19.

⁴⁰ TBT Agreement at ¶ 2.2.

⁴¹ *Id.* at ¶ 2.5.

The listed objectives do not include sustainable development, which was expressly included in the NAFTA as a legitimate standards objective.⁴² Nor does it include animal welfare, which was intentionally excluded from the SPS text, according to an explanatory paragraph in the last draft Uruguay Round text. Thus, trade restrictions imposed pursuant to humane slaughter laws would likely be considered unfair trade barriers because they regulate a process unrelated to recognized characteristics of the final product.

Moreover, as regards level of protection, the TBT Agreement requires countries to base technical standards and conformity assessment procedures on international standards, even where they are not yet completed, but their completion is imminent.⁴³ The only exception is when the international standard "would be an ineffective or inappropriate means for the fulfillment of the legitimate objectives pursued, for instance because of fundamental climatic or geographical factors or fundamental technological problems."⁴⁴ Noticeably omitted from the list of exceptions is that the international standard provides an insufficient level of protection, a factor specifically listed in an analogous provision elsewhere in the TBT Agreement.⁴⁵ Thus, the TBT Agreement substantially limits the reasons that may justify not using an international standard and also allows the legitimacy of a country's objectives to be called into question.

C. **The Uruguay Round Would Limit the Means to Achieve Legitimate Health, Safety and Environmental Goals, Including Those Deemed GATT-Allowable.**

The Uruguay Round imposes significant limitations on the trade restrictions that may be imposed as part of domestic regulation. Often the most effective health, safety, and environmental measures impose greater trade restrictions than less effective alternatives. For this reason, constraints on the means that may be used to achieve legitimate goals could be devastating to strong protections.

⁴² NAFTA Article 915.

⁴³ TBT Agreement at ¶¶ 2.4, 5.4.

⁴⁴ *Id.* at ¶ 2.4.

⁴⁵ *Id.* at Annex 3, ¶ F.

1. The Uruguay Round Would Limit the Means to Achieve Food Safety Protection

Food safety measures may be "applied only to the extent necessary to protect human, animal or plant life or health."⁴⁶ In addition, countries must ensure that their food safety measures "are not more trade restrictive than required to achieve their appropriate . . . of protection, taking into account technical and economic feasibility."⁴⁷ A footnote provides that "a measure is not more trade restrictive than required unless there is another measure, reasonably available taking into account technical and economic feasibility, that achieves the appropriate level of protection and is significantly less restrictive to trade."⁴⁸

The alternative measures need only be technically and economically feasible, they do not need to be politically feasible. This distinction is critical. For instance, the only politically feasible way to obtain the goal of slowing the logging of old growth forests in the Pacific Northwest was a measure that is possibly the most trade restrictive: a ban on the exports of raw cut logs. After years of stalemate on the issue while the forests were logged, this measure would slow logging while also satisfying the powerful political interest of providing employment in log processing to lumberjacks who would no longer be chopping down old growth forests. It was the only politically feasible measure, yet in a political vacuum, there are obviously less trade restrictive ways to meet the policy objective of saving the forests.

While this example does not pertain to food and thus would not fall under the SPS Agreement, the same least trade restrictive test applies under the TBT Agreement and the raw log ban provides a good example of the least trade restrictive problem because it has already been threatened in the press with a challenge from Japan.

As related directly to food, under the least trade-restrictive alternative test, any product ban may be called into question, since bans are the most trade-restrictive measures available. Thus, a ban could be challenged on the ground that permitting small exposures, labeling foods, or

⁴⁶ SPS Agreement at ¶ 6.

⁴⁷ Id. at ¶ 21.

⁴⁸ Id. at ¶ 21 n.3.

washing or other handling precautions would meet the level of protection.

An EPA ban on pesticide residues on a particular food could be challenged on the ground that permitting trace residues would achieve the same level of protection. The Circle of Poisons Prevention bill, which, if enacted, would ban the export of certain hazardous pesticides in part to prevent them from being used on foods exported back to the U.S. A challenger could argue that the export ban is not necessary because permitting the export but monitoring for the residues would achieve the chosen level of protection. EPA's coordination policy precludes carcinogenic pesticides on raw commodities, where the pesticide concentrates in processed foods. The Delaney Clause prohibits residues of the carcinogenic pesticides only in the processed foods, but EPA has extended the pesticide ban to the raw commodities because it does not know which tomatoes will be used to make tomato sauce. A challenger could argue, as industry has, that this policy is not "necessary" because FDA could monitor the processed foods for the residues instead. A ban on dyes, genetically altered produce, or fish with lead levels that are safe for everyone, except pregnant women and children or other vulnerable subpopulations, might be challenged on the ground that warnings would suffice.

The "taking into account technical and economic feasibility" language may prevent a country from using its chosen means because of economic considerations. It might also preclude the use of technology forcing regulations that impose stringent requirements in order to force technological improvements, such as EPA's phaseout of certain uses of the pesticide carbofuran, even though substitutes were not available when the phaseout was established, or a ban the use of lead solder in food cans five years from now in order to force industry to come up with alternatives.

Aspects of the 1990 Nutritional Labeling and Education Act might be vulnerable to a trade-restrictive alternative challenge. Thus, mandatory labeling designed to provide consumers information about carcinogens or potentially harmful additives, such as salt, MSG, nitrites, or sulfites, could be challenged on the ground that voluntary labeling would suffice or that not all foods need to be covered by mandatory requirements. Indeed, both Japan and the European Community have already made claims that the mandatory nutritional labeling is an unfair trade

barrier.⁴⁹

2. The Uruguay Round Would Limit the Means to Obtain Technical Standards Goals

The TBT Agreement also embraces the unnecessary obstacles to trade and least trade-restrictive alternative tests. Thus, technical regulations and conformity assessment procedures may not be "prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade."⁵⁰ Technical regulations may not be "more trade-restrictive than necessary to fulfill a legitimate objective, taking into account the risks non-fulfillment would create."⁵¹ This sentence is immediately followed by factors that must be taken into account "[i]n assessing such risks," thereby envisioning a risk assessment or cost-benefit analysis. Conformity assessment procedures may not be more strict or applied more strictly than necessary to give confidence that products conform to technical regulations and standards.⁵²

In addition, technical regulations may "not be maintained if the circumstances or objectives giving rise to their adoption no longer exist or if the changed circumstances or objectives can be addressed in a less trade-restrictive manner."⁵³

Under these provisions, Canada could argue, as it did in an amicus brief, that a phaseout of all asbestos should not apply to the asbestos produced in Canada because it presents less of

⁴⁹ The Uruguay Round also prohibits arbitrary or unjustifiable discrimination between countries where identical or similar conditions prevail, and the application of measures in a manner that constitutes a "disguised restriction on international trade." ¶ 7. A narrow construction of the latter requirement would simply require that the measure be a matter of public record or that it be the result of an open rulemaking or administrative proceeding. Under such a construction, FDA action levels, which indicate when FDA will enforce pesticide residue and food additive standards, may be open to challenge. A broader construction might permit challenges to a food safety measure on the ground that its underlying effect is to restrict trade. For example, a ban on listeria in cheese, which is only imported, while listeria is not banned in other products, might be viewed as a hidden trade restriction.

⁵⁰ TBT Agreement at ¶¶ 2.2, 5.1.2.

⁵¹ Id. at ¶ 2.2.

⁵² Id. at ¶ 5.1.2.

⁵³ Id. at ¶ 5.1.2.

a health risk, which can be controlled through use restrictions, than the other types at which the phaseout was principally directed. If (as it once did), the Department of Transportation required trucks to use antilock brakes, a challenger might argue that anti-jack knife devices would have the same effect, even though it takes much longer to stop the truck with them. If the U.S. decided to ban asbestos-lined brakes because U.S. workers are exposed to the asbestos when they install or repair the brakes, another country could argue that the ban is unnecessary because the workers could use protective clothing and ventilation to limit the risk. If Congress bans toy balls with a diameter less than 1.75 inches for small children, a challenger could argue that the measure is unnecessary because of inadequate evidence of harm or that hard plastic or wood balls should not be subject to it. If OSHA phased out cadmium batteries because the cadmium leaches into ground water in landfills, a challenge could be mounted because most substitutes also contain heavy metals that would present similar problems. Recycling schemes and packaging requirements may be vulnerable. In past trade challenges, the European Court of Justice invalidated a component of a Danish recycling scheme requiring the use of reusable containers that could be handled by facilities in Denmark, and the U.S. complained that Ontario's imposition of higher taxes on recyclable beer containers than on reusable ones discriminates against U.S. beer, which is sold largely in cans, as compared with Canadian beer, which is sold largely in bottles.

Our standards are in jeopardy even if they are undertaken pursuant to international environmental agreements, since there is no exception to the Uruguay Round's requirements for such standards. Thus, bans on ozone-depleting chemicals pursuant to the Montreal Protocol on Substances that Deplete the Ozone Layer or on trade in endangered species pursuant to the Convention on International Trade in Endangered Species of Wild Fauna and Flora would be vulnerable under the least trade-restrictive alternative test.

3. The Uruguay Round Does Not Provide for Measures Based on Production or Process Standards

One critical trade issue is the extent to which trade restrictions may be imposed on products as a result of their processing and production methods. For example, may a country ban imports of timber that does not come from sustainable managed forests, ban imports of ivory from countries with inadequate elephant conservation programs, ban imports of beef slaughtered in violation of humane standards, ban imports of products produced with ozone-depleting chemicals,

ban imports of tuna caught in a way that kills too many dolphins, ban imports of fish caught with large-scale drift nets, or ban shrimp imports caught without turtle excluder devices? This issue of process standards came to forefront in the successful 1991 Mexican GATT challenge of the U.S. Marine Mammal Protection Act.

One of the cornerstones of GATT is that like products must be accorded treatment no less favorable than that accorded like domestic products and like products imported from other countries. This nondiscrimination principle is expressly made applicable to technical regulations in the TBT Agreement.⁵⁴ It has generally been interpreted under GATT to preclude imposing restrictions on products based on the way they are produced. In the tuna-dolphin challenge, a GATT panel concluded that the U.S. ban on imports of tuna caught by methods that kill too many dolphins were impermissible because they were based on the way the tuna was caught, not any inherent characteristics of the tuna itself.

Nothing in the TBT Agreement rejects this approach. To the contrary, other TBT provisions require that product requirements be stated in terms of performance rather than design or descriptive characteristics, wherever appropriate.⁵⁵ Thus, where the process itself is regulated to prevent health or environmental harm, e.g., emissions from production or worker safety, product restrictions will likely be considered unfair trade barriers.

D. The Uruguay Round Requires the U.S. to Permit Imports that Do Not Comply with U.S. Health, Safety & Environmental Standards

The Uruguay Round requires countries to permit imports that do not comply with their own food safety standards where they satisfy different, but "equivalent," standards or processes.⁵⁶ Countries must also give positive consideration to accepting as equivalent technical regulations that differ from their own, but fulfill the objectives of their own regulations.⁵⁷

⁵⁴ TBT Agreement at ¶ 2.1.

⁵⁵ Id. at ¶ 2.8.¹

⁵⁶ SPS Agreement ¶ 14.

⁵⁷ TBT Agreement at ¶ 2.7.

This requirement invites wholesale circumvention of U.S. law. Even if Congress has established a standard or an agency has promulgated regulations prescribing the conformity assessment procedures that will be used, imports may nonetheless be permitted. This would be done under the amorphous concept of equivalency, which calls for a subjective comparison of different standards without any clear guidelines for the process to undertake or the factors that must be considered.

Under the U.S.-Canada Free Trade Agreement, the U.S. Department of Agriculture decided that Canadian meat inspection procedures were equivalent to ours, even though the U.S. tests end products for listeria contamination, while Canada regulates the work environment in which the food is processed, and Canada does not control or test for drugs approved for use in Canada but not in the U.S. Meat imports were allowed into the U.S. under a cursory reinspection system. The General Accounting Office charged that the documentation did not support the conclusion that Canadian meat inspections were equivalent to the U.S. system, and meat inspectors complained that Canadian producers were taking advantage of the cursory reinspection and shipping contaminated meat. Under the U.S.-Canada Free Trade Agreement, Canada challenged Puerto Rico's refusal to permit imports of milk that did not comply with Puerto Rico's milk sanitation certification and inspection procedures. A trade panel ruled against the U.S. on the ground that Puerto Rico should not have barred Canadian milk imports until it had determined that Canada's milk sanitation certification and inspection procedures were not equivalent to Puerto Rico's.

The GATT implementing legislation, as did the NAFTA implementing legislation, would make substantive amendments to U.S. meat, poultry, and live animal inspection laws to permit imports from NAFTA countries that do not comply with those laws.⁵⁸

The Uruguay Round also requires that countries make all other member countries subject to the same food safety inspection procedures. This is so even if there has been a legitimate reason for treating the country differently. For example, special inspection procedures have been established more Mexican produce because it has higher DDT residues than domestic produce and

⁵⁸ GATT Implementing Legislation at Section 731.

than permitted under U.S. law.

III. The Uruguay Round Specially Jeopardizes State Health, Labor, Safety and Environmental Measures

The Uruguay Round's restrictions on food safety and technical standards apply to state and local laws and with the existing GATT, the Uruguay Round would allow challenges against state and local laws.⁵⁹ When a WTO panel would rule that a state or local law does not meet the trade rules, the federal government is required to "take such reasonable measures as may be available to it to ensure...observance."⁶⁰

A GATT panel has already interpreted the "reasonable measures" standard, which is present in the existing GATT⁶¹. Under the terms of an adopted GATT case known as Beer II, the United States must take all action available under the constitution to force subfederal compliance with trade panel rulings. This could include preemptive legislation, litigation and withdrawal of federal financial support.

The Uruguay Round presents new and additional threats to state law compared to the existing GATT which makes federal government responsible for compliance of subfederal governments. First, under the Uruguay Round, national governments would be required to take affirmative actions to ensure that subnational governments comply with the Uruguay Round. The SPS Agreement makes countries "fully responsible . . . for the observance of all obligations set forth herein." ⁶² They must "formulate and implement positive measures and mechanisms in support of the observance of the provisions of this Agreement by other than central government bodies."⁶³ In addition, they "shall not take measures which have the effect of, directly or indirectly, requiring or encouraging . . . local governmental bodies to act in a manner inconsistent

⁵⁹ DS Understanding at 22.9.

⁶⁰ Id. at 22.9.

⁶¹ 1991 Panel report on Canadian challenge of certain U.S. Alcohol Taxes and regulations (Beer II.)

⁶² SPS Agreement at ¶ 1.

⁶³ Id.

with the provisions of this Agreement." ⁶⁴ Similar obligations are imposed under the TBT Agreement.⁶⁵

Second, the specificity of the Uruguay Round standards texts provides for new hook for challenges against state laws. For instance, the SPS Agreement provides that countries' standards do not "unjustifiably discriminate between Members where identical or similar conditions prevail, including within their own territory."⁶⁶ While the U.S. might argue that the principles of federalism justify the many difference between federal and state laws covering the same issue, the GATT does not support federalism as a legitimate basis for such action. In fact, the SPS text calls for just the opposite, specifying that countries should harmonize standards as between themselves.

As well, the least restrictive alternative test could have particularly severe consequences for state regulations. Indeed, in a recent GATT dispute that did not involve GATT's health or natural resources exceptions, the panel concluded that a requirement imposed by only five states was not "necessary" because other states had found "alternative, and possibly less trade restrictive, and GATT consistent, ways of enforcing their tax laws."⁶⁷ This rationale could be devastating if it were applied to the many health and environmental statutes that permit, but do not require, states to provide greater health or environmental protection than the federal government.

The Center for Policy Alternatives, as association of state legislators, recently commissioned a study on the state law effects of the Uruguay Round. In the first in a series of reports, a group led by a Georgetown law professor contracted by the Center concluded that the Uruguay Round would provide a "license to challenge state law."⁶⁸ While taking no position on the Uruguay Round as a whole, the report highlights the many provisions that could undermine legitimate

⁶⁴ *Id.*

⁶⁵ TBT Agreement at ¶¶ 3.1, 3.4, 3.5.

⁶⁶ SPS Agreement, Article 2-3.

⁶⁷ *United States – Measures Affecting Alcoholic and Malt Beverages* ¶ 5.52 (1992) ("*Beer II*").

⁶⁸ Center for Policy Alternatives, GATT Impact on State Law: California, September 1994. (Robert Stumberg, et al Harrison Institute for Public Law, Georgetown University Law Center.)

state environmental and consumer laws and the anti-federalism philosophy that might lead our trading partners to make use of these new GATT rules in combination with the strengthened dispute resolution that would be provided under the World Trade Organization:

Since the days of Oliver Wendell Holmes, Americans have valued the role of state governments as the "laboratories of democracy" within the American federal system. Unfortunately, our international trading partners do not share the same values. The European Union, for example, decries state-level innovation as the "multiplicity of standards" which "creates impediments and even barriers to trade."⁶⁹

IV. Establishment of the WTO Significantly Increases the Impact Global Trade Rules Will Have on Countries' Domestic Laws

The Uruguay Round agreement would fundamentally transform the nature of the world trade rules. Since its establishment in 1947, GATT has existed as a contract between nations, which have been called "contracting parties." The trade rules of GATT have largely focussed on traditional trade matters, such as tariffs, quotas and other measures clearly taken for the economic protection of a particular industry or sector.

The Uruguay Round would establish the "World Trade Organization (WTO,)" which would effectively replace the existing GATT with a new international organization. The final Uruguay Round text bestows on the WTO "legal personality," a legal status similar to that of the United Nations or World Bank.

As well, the Uruguay Round would massively expand the coverage of trade rules to impose unprecedented constraints on policy areas that have been controlled domestically. The Uruguay Round expands trade disciplines into new areas such as agriculture, services such as telecommunications and transportation, and intellectual property. The Uruguay Round would also put in place more pervasive restrictions in areas such as food standards and "technical standards" such as environmental or safety standards. Domestic laws in all of these areas must comport with international trade rules, or such laws can be challenged as "illegal trade barriers" by other

⁶⁹ Id. at 1.

countries through dispute resolution proceedings.

Establishment of the WTO also would raise the relative importance and strength of the global trade rules by giving them a permanent international organizational structure with an ongoing infrastructure and powers that GATT didn't have. All of the substantive trade rules that resulted from the Uruguay Round negotiations – agreements on trade in goods and services, intellectual property rules and more – fall under the WTO structure. Countries are obliged to ensure that their domestic laws conform with the substantive trade rules of the WTO.

The WTO rules allow changes to some trade rules by a two-thirds vote of the Members that would then be binding on all Members. Under GATT, such changes could only be taken by consensus. As well, WTO Members must accept all aspects of the WTO's underlying substantive trade rules, while under GATT countries who opposed certain provisions or additional agreements would not be bound by them unless that country so chose. From a trade perspective, this all-or-nothing rule eliminates the problem of "free riders." From a democracy perspective, this rule forces countries to accept trade in areas that might be undesirable or to forgo participation in the world trade system. The increase in power of the global trade rules relative to each countries' domestic laws is also obvious in the new dispute resolution provisions of the WTO, as described in detail below.

Additionally, the WTO would establish numerous standing committees that could initiate on-going negotiations. Under GATT, additional negotiations could be initiated only by consensus of the parties, or alternatively countries that did not wish to be bound by new negotiations could opt out.

1. Countries Must Ensure Conformity of Laws With the WTO

The WTO text provides that:

"Each Member shall ensure the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed Agreements."⁷⁰

This language requires a significantly stronger commitment from each country to conform

⁷⁰Agreement Establishing the WTO, Article XVI - 4.

to the trade rules underlying the WTO than was contained in the 1991 draft text for the Uruguay Round. Under this language, a countries' obligation is to ensure the conformity of its laws with the substantive provisions of the Uruguay Round agreements.

The 1991 draft required that countries "shall endeavor to take all necessary steps, where changes to domestic laws will be required to implement the provisions of the agreements annexed hereto, to ensure the conformity of their laws with these Agreements."⁷¹ Thus, under the draft text, countries' obligations were to endeavor to take the necessary steps. Even under this weaker legal formula, the Congressional Research Service concluded in an analysis of the 1991 "Dunkel" Draft GATT text that: a "party would no longer have control over whether or not it must change that particular policy or law [a successfully challenged law or policy] to conform with the GATT."⁷²

2. The Principles of the WTO Do Not Include Environmental, Health, or Labor Rights

The binding provisions setting out the WTO's functions and scope do not incorporate any environmental, health, or labor rights considerations. In fact, the only reference to the environment is in the rhetoric of the preamble to the WTO, which does not have the binding legal effect on the substantive provisions of the agreement. Labor rights is not mentioned in the preamble at all. Thus, the WTO text would establish a powerful new international institution whose mandate looks backwards to an era when environmental and other citizen considerations were not taken into account.

Moreover, there is nothing in the institutional principles of the WTO to inject any procedural safeguards of openness, accountability or citizen participation into the governance of this body or its functions. The WTO has no structural capacity for nongovernmental organizations or citizens to have any role in the functions of the WTO.

3. WTO Dispute Resolution: Stronger Enforcement of Bad Rules

⁷¹ Agreement Establishing the Multilateral Trade Organization, Article XVI-4 (1991.)

⁷² CRS Legal Memo on Domestic Law Effects of the Dunkel Text's MTO Provisions requested by Representative Jill Long, April 1992.

As with the GATT, the WTO dispute resolution allows a member nation to challenge the domestic laws of another member as a barrier to trade. Such challenges are decided in secret by panels of three trade experts chosen from a predetermined roster. (Disputing countries may opt for five person panels.)

The required qualifications for such panelists, for instance experience in a country's trade delegation or experience as a trade lawyer bringing a trade dispute, will result in panelists with a uniformly pro-trade perspective.⁷³ In fact, with the exception of panelists qualified by merit of academic expertise in trade, the qualifications will result in panelists with a direct stake in the existing trade system. Moreover, there are no conflict of interest rules for those who would be empowered to sit on these tribunals reviewing U.S. law. By merit of the roster system, what is clear is that panelists will be chosen from amongst trade experts conducting other careers in the trade area, as compared to the U.S. judicial system with judges serving full time as judges and thus insulated from conflict with other professional responsibilities. The unfairness that would be caused by the lack of conflict of interest rules for GATT tribunals is no longer speculative. The United States government recently lodged a complaint about conflict of interest when it became known that panelists judging a U.S.-Canadian dispute over soft wood lumber on a similar dispute panel provided for in the U.S.-Canada Free Trade Agreements were Canadian attorneys representing Canadian lumber interests. That case has resulted in a challenge of the constitutionality of the U.S.-Canada dispute resolution system in U.S. federal court.

As well, under the Uruguay Round proposal, there is no mechanism to guarantee that such panelists even will be exposed to alternative perspectives on environmental or health issues. This is the case because there is no allowance for amicus briefs from interested non-governmental groups or other guaranteed means of access for alternative viewpoints. In fact, the panel is not even required to get technical or scientific help. The text merely allows panels to do so at their choosing. Finally, the text specifically forbids identification of which panelists supported which positions and conclusions in the case. This additional layer of secrecy adds to the lack of accountability of the WTO decision-makers who will be given significant new power.⁷⁴

⁷³ Dispute Settlement Understanding at 8.1.

⁷⁴*Id.* at 17.11 and 14.11.

Under current GATT rules, decisions put forward by the three person panels must be approved by consensus. Thus, each country maintains the right – though politically difficult to exercise – of blocking consensus and thus adoption and implementation of a panel decision. The U.S. used this "emergency break" to freeze adoption and implementation of a GATT ruling against provision of the U.S. Marine Mammal Protection Act which was successfully challenged as an illegal trade barrier by Mexico in 1991.

The new WTO dispute resolution rules take away this emergency break. Under the new rules, the decisions of the three-person review panels are automatically adopted 60 days after completion, unless there is a consensus among all WTO Members to reject the ruling, or the losing country files an appeal.⁷⁵ Thus, over 100 countries, including the country that has won the panel decision, must agree to stop its adoption. This notion of requiring consensus to stop action at an international body is totally alien to the operations of the many international organization to which the United States is a member. In fact, most international organizations require decision-making by consensus to go forward as a means to protect each countries' sovereignty.

Under the new rules, an appeal can be filed within 60 days after a panel has ruled.⁷⁶ Appeals are limited to issues of law covered in the panel report and legal interpretations developed by the panel.⁷⁷ Appeals must be decided within 90 days, after which that decision would also be automatically adopted unless unanimously rejected within 30 days of its issuance.⁷⁸ There is absolutely no outside appeal to a non-World Trade Organization court or panel provided. Thus, once a panel has ruled the United States could not ask for a review at the World Court much less in the U.S. court system.

When a panel decides that a domestic law does not meet the requirements of the trade rules, its report is required to include the "recommendation" that the offending country change

⁷⁵ Id. at 16.4.

⁷⁶ Id. at 17.

⁷⁷ Id. at 17.6

⁷⁸ Id. at 17.14. "An appellate report shall be adopted by the DSB and unconditionally accepted by the parties to the dispute unless the DSB decides by consensus not to adopt..." (DSB refers to the WTO Members meeting as the Dispute Settlement Body.)

its law to conform with the trade rules.⁷⁹ Thirty days after the report is adopted, the offending country must inform the other countries of its intentions with respect to implementing the panel report.⁸⁰ Countries are supposed to change their laws immediately. If that is impracticable, the countries in the dispute can negotiate or submit to arbitration to determine a "reasonable time period." The text suggests that arbitrators should be guided by a 15 month limit on what is a reasonable period to change the offending law.⁸¹

If a country fails to change its law within the set time period, the winning country can request negotiations to discuss the matter. However, 20 days after the time period has expired, the winning country can request permission to "suspend the application... of concessions or other obligations," meaning put in place trade sanctions against the country that has refused to change its law.⁸² Such a request is automatically granted 30 days after the expiration of the set time period, unless there is unanimous consensus of all WTO Members to reject the request.⁸³

The dispute resolution text states that such trade measures – or compensation by the losing country – are to be temporary measures when successfully challenged laws are not changed within the set time period.⁸⁴ Where the "...recommendations to bring a measure into conformity with the covered agreements have not been implemented," the WTO's Dispute Resolution Body "shall continue to keep under surveillance the implementation of adopted recommendations or ruling...", including cases where there are continuing sanctions or compensation.⁸⁵

Sanctions should initially be considered against parallel sectors. For instance, a country that refuses to change a food-related law should be given sanctions in food trade. However, under the

⁷⁹Id. at 19.1.

⁸⁰Id. at 21.3.

⁸¹ Id. 21.3(c).

⁸²Id. at 22.2.

⁸³Id. at 22.6.

⁸⁴ Id. at 22.1 and at 22.8.

⁸⁵ Id. at 22.8.

WTO dispute resolution, countries may put up sanctions against any unrelated sector if parallel sanctions are "not practicable or effective."⁸⁶ The ability to use "cross sectoral" sanctions considerably increases a country's ability to cause economic pain and pressure on another country that refuses to change its laws by choosing sanctions in especially sensitive or important areas. The "level" of sanctions — the monetary value of them — is to be equal to the winning party's economic damage.⁸⁷ Countries are allowed to challenge the amount of sanctions. Such challenges are submitted to binding arbitration, preferably by the panel that decided the case.⁸⁸ Countries are required to accept the arbitral decision as final; a second arbitration is not allowed.⁸⁹

4. Challenges Allowed Against Laws that Do Not Specifically Violate Trade Rules

The WTO allows trade challenges of a domestic law that conflicts with any of the WTO's substantive trade rules. However, it also allows challenges of some domestic laws that another country considers are "nullifying or impairing" any direct or indirect benefit that it expects from the specific trade rules even if there is no violation of a specific rule.⁹⁰ Similarly, a law can be challenged if "the attainment of any objective [of that Agreement] is being impeded" by that law.⁹¹ The vagueness of this provision is alarming in that it could be interpreted to include laws and policies that would seem to be free from trade disciplines. As well, this provision would allow trade challenges of U.S. laws under provisions of the Uruguay Round text that are not mandatory, but rather state what a country should (rather than shall) or may (rather than must) do to meet its GATT obligations. In the SPS and TBT text, there are several such provisions which could give rise to a nullification and impairment challenge.

Such challenges of U.S. food laws are no longer speculative. Under the U.S.-Canada Free

⁸⁶Id. at 22.3(c).

⁸⁷ Id. at 22.4. C

⁸⁸Id. at 22.6.

⁸⁹ Id. at 22.7.

⁹⁰ Id. at 26.1.

⁹¹Id. at 26.1.

Trade Agreement, Canada won on a nullification and impairment claim on a challenge that Puerto Rico's strengthening of its milk safety rules to meet U.S. federal standards violated the U.S. obligations under that agreement. While the tribunal in that case ruled that the specific binding provisions relating to food inspection had not been violated by the United States, it also concluded that Canada's reasonable expectations under the agreement had been violated by the ban on Canadian milk that did not meet the new standard.

5. Dispute Resolution: Secretive & Inaccessible to Citizens

The secrecy of GATT dispute resolution is largely perpetuated in WTO dispute resolution. All panel proceedings are conducted in secret.⁹² Unlike complaints, briefs and affidavits in the U.S. court system, documents presented to the panel are kept confidential.⁹³ The extent of the secrecy is emphasized by what is being labeled an important improvement in openness: The WTO text allows countries to request a "non-confidential summary" of the information contained in official submissions that could be disclosed to the public.⁹⁴ This requirement is not an adequate substitute for disclosure of the submissions themselves, because the contents of the summaries need not fully disclose all of the evidence and arguments of the actual submissions. Interestingly, the WTO dispute resolution text specifically states that each country may release its own documents if it so chooses.⁹⁵ There is no right for public comment or participation.

The degree of secrecy in the Uruguay Round text prompted an unusual action by 30 newspaper publishers and heads of journalistic societies headed by the Freedom Forum who wrote President Clinton in August criticizing the GATT secrecy. Under GATT rules, U.S. reporters, as well as other citizens, cannot obtain access to dispute resolution briefs or other documents

⁹² DS Understanding, Appendix 3, Working Procedures at 2. "The panel will meet in closed session."

⁹³ Id at 3 for regular panel reports. DS Understanding at 18.2 for Appellate Reports.

⁹⁴ Id. at 3.

⁹⁵ During the Bush Administration, Public Citizen successfully litigated a Freedom of Information case after being denied access to U.S. documents filed in GATT dispute resolution cases. The Bush Administration had argued that GATT rules required such documents be kept confidential, although the existing GATT is silent on the matter. The D.C. District Court found otherwise.

much less tribunal hearings.

This secrecy flies in the face of the U.S. standards of openness and disclosure by which the Congress and courts are required to operate. Citizen advocates have fought hard to establish procedural safeguards in policy-making and guarantee citizen oversight through public hearings and access to documents and accountability of decision-makers through conflict of interest laws and elections.

IV. Conclusion

The implications of approval of this new international institution, the WTO, are far reaching, and from a citizens' perspective extremely worrisome. It is inevitable that different policy goals will at times conflict, for instance goals of maximizing trade and goals of public health and environmental protection. However, the decision about which policy goal should take precedence in a particular instance should be decided by those who will live with the results. Under the Uruguay Round, those decisions are largely shifted away from citizen control and domestic democratic bodies to a negotiating committees and a dispute resolution body located in Geneva, Switzerland which operates in secret and without the guarantees of due process and citizen participation found in domestic legislatures and courts. Moreover, the WTO's substantive trade rules that would be interpreted by the dispute resolution body place trade expansion over other policy goals in almost every instance.

Around the world, environmental, consumer, labor, family farmer and other citizens groups are urging their legislatures to reject the GATT Uruguay Round. Unlike many of these nations whose parliaments constitutionally have a lesser role in deciding on GATT, the U.S. Congress has the real ability to determine whether the United States will approve this GATT. Thus, we urge Congress to take a leadership role in sending the U.S. negotiators back to the table. What we need is a trade agreement that both furthers U.S. commercial interests, which previous witnesses at these hearings have also suggested this proposal fails to do, and guarantees the ability of countries to maintain and in the future establish consumer and environmental policies to safeguard their citizens.

PREPARED STATEMENT OF PETER MEADE

Good Morning, Mr. Chairman and distinguished guests. My name is Peter Meade. I am the President and CEO of the New England Council. Thank you for the opportunity to appear before you today to discuss the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

Senator Kennedy, the New England Council urges you to vote in favor of the legislation to implement the GATT. This Agreement will significantly benefit the businesses and people in Massachusetts. It will generate economic activity and create high wage jobs.

Passage and implementation of the GATT is a step towards sustaining the emerging economic recovery New England is now beginning to realize -- a very significant step, but again only a step.

A few points are worthy of mentioning before I get into the specific benefits for Massachusetts and New England. The first is that GATT is the most comprehensive trade agreement in history. Because GATT is so comprehensive it will be crucial to carefully monitor the impact on our industries, workers and economy, both long term and short term, so that we can measure all consequences, expected and unintended.

Although we often talk about the importance of free trade, fair trade is just as important. The Uruguay Round increases fairness by applying a new and improved set of rules to all GATT member governments. Under the current system, GATT countries can pick and choose the standards they will adhere to. For example, only 25 of the 123 GATT countries have signed on to the GATT subsidies code, and only 46 have signed on to the GATT standards agreement.

There are minor exceptions, but the proposed GATT Agreement that will come before the U.S. House and Senate next week, severely limits the ability of countries to gain the economic benefits of trade without minimum standards and protection.

For the first time, GATT will bring services under fair international trade rules. In New England, it is the services sector that is creating the new jobs. Massachusetts prosperous engineering and construction sectors will have increased potential to expand globally under the services agreements reached in GATT.

For the first time since being established in 1947, GATT includes strong rules governing intellectual property rights. That will change if

Congress approves the new Agreement next week. These new GATT rules will protect U. S. patents, trademarks and copyrights from infringement by foreign companies. The American Electronics Association states that in 1992 alone, losses from the piracy of intellectual property were estimated to be over \$15 Billion.

According to the Massachusetts Computer Software Council, there are over 1800 software companies in Massachusetts alone, working in an industry that employs 95,000 people. Software has long been an easy target for piracy around the world. This Agreement, by requiring countries to provide full copyright protection for software, will end this piracy. In fact, the term of protection must be the same as provided to literary works.

Similarly, environmental, biotech, pharmaceutical, electronics and other high technology companies who collectively spend millions of dollars on research and development to remain competitive, will be protected against the loss of their investment by this Agreement.

Here in Massachusetts there has been an extraordinary effort to attract and retain growth industries. Biotechnology is a recent example. As a result of the state's assistance, Genzyme Corporation of Cambridge decided to locate a new state-of-the-art manufacturing plant in Allston. The product patent protection in the Agreement will be very helpful for Genzyme's continued success.

Today, many developing countries provide protection for only the process of manufacturing a pharmaceutical but not for the resulting product. This protection is weak because once a pharmaceutical product has been developed, there may be several methods or processes for producing a particular product. Product protection in the GATT will fill this void.

There is no question that fairer international trade rules will make the U. S. and Massachusetts more competitive.

In addition to strengthened trade rules, the Uruguay Round of the GATT lowers tariffs worldwide on average by about one third. This savings goes right to businesses' bottom line, freeing up resources for investment in people, products and research. Most importantly, however, may be that GATT opens previously closed markets to U. S. goods and services. All over the world economies are developing rapidly. GATT is an unprecedented opportunity for our companies to do business in some of the largest and the fastest growing countries in the world.

The New England region, particularly Massachusetts, is highly dependent on exports for economic activity. We are a trading region. Our success is inextricably tied to our ability to increase exports. In fact, according to the Federal Reserve Bank of Boston, New England is more dependent on the jobs created by the exports of manufactured products than any other region of the nation.

It was troubling that a recent Bank of Boston study found that New England "under-exports" compared to the nation as a whole. As is indicated from the charts, from 1987 to 1993, Massachusetts exports increased by 40%, where U. S. exports increased by 90%. The Bank calculates that the region's loss of export share cost us \$2.5 Billion each year from 1988-1992.

We believe that our region needs a trade promotion strategy to improve this figure -- and that GATT is a critical component of that strategy. New England has the goods and services that the world wants and needs. GATT will clear the way to our selling these goods and services in those markets.

For these reasons, the Board of the New England Council voted unanimously last Thursday to support passage of GATT now, by the 103rd Congress. The importance of passing this Agreement during next week's post-election session cannot be overstated. Delaying the GATT vote may kill this Agreement. Every day that goes by without an Agreement costs New England money and jobs.

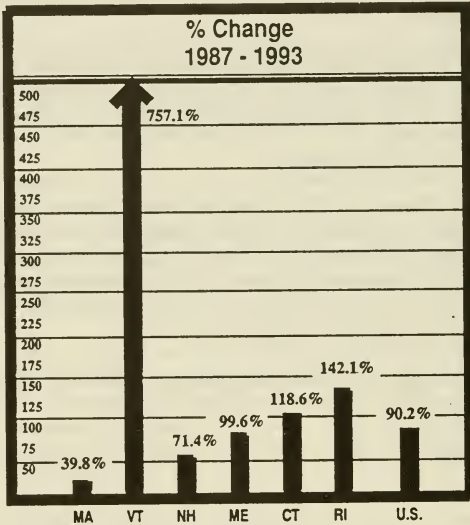
Senator, I urge you to take a strong leadership role in securing passage of GATT.

Thank you.

The New England Council

Export Sales to the World

New England States vs. Total U.S. Exports

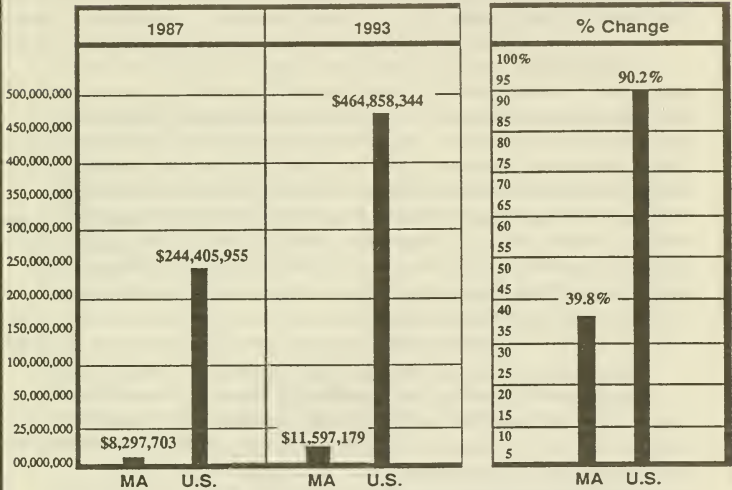


Source: U. S. Bureau, Location Exporter Series.

The New England Council

Export Sales to the World

Massachusetts vs. Total U.S. Exports (Percent & Thousand \$)



Source: U. S. Bureau, Location Exporter Series.

PREPARED STATEMENT OF ROBERT LAWRENCE

The Uruguay Round agreement represents a significant bi-partisan negotiating achievement. It should be ratified by the United States Congress. It will increase export opportunities for America and our trading partners. Conservative studies suggest that this will raise the annual living standards of American families by about \$1000 and improve the quality of employment opportunities for American workers. The Agreement will also make the system of international trade rules more binding and effective. Passage of the Agreement would represent a historical achievement for President Clinton and Presidents Bush and Reagan. Failure to pass the agreement would have devastating implications both for the world economy and for US global leadership. It would probably lead to short run financial instability and, over the long run, to an unwinding of the progress towards freer trade that has been made over the postwar era.

We should begin by remembering the revolutionary changes that are taking place around the world, and the US interest and indeed responsibility in ensuring that these changes occur successfully. Throughout the world, emerging nations are now shifting toward the market system. The nations of the former Soviet Union, Eastern Europe, China and the Developing Economies of Asia, Africa and Latin America are all shifting toward outward-oriented policies and are depending on the developed countries for markets. In return, prosperity in these nations will afford the developed world with immense export opportunities. It is critically important, therefore, that the global trading system be kept open, and that credible trading rules be established. We should recall the 1930s, in which the disastrous consequences of inward looking policies were demonstrated beyond doubt.

It may seem to some, that as the largest single economy, the US has an interest in a trading system dominated by power relationships, in which we use our market to muscle our way into foreign nations. But we should appreciate that as new giant economies such as China, India and Russia emerge on the world scene, our interest is in a system based on rules rather than power. The Uruguay Round has made considerable progress towards this end.

Achievements The Uruguay Round negotiations launched in Punta-del-Est, Uruguay in 1986 were the most ambitious of the postwar multilateral liberalization efforts. Earlier, there had been seven major negotiations over the postwar period, but these concentrated on lowering tariff barriers on industrial products. The Uruguay Round agreement includes large reduction in such tariffs --indeed it entirely eliminates tariffs in several sectors -- but its scope is much more ambitious.

The US had five major goals when the negotiations began: (1) improving market access for US exports by reducing tariff and non-tariff barriers; (2) adopting a more timely and effective dispute resolution mechanism; (3) reducing trade-distorting

government subsidies and unfair practices; (4) extending GATT coverage to services and (5) increasing protection against unauthorized use of patented and copyright products. Several of these initiatives, particularly extending the trading rules to agriculture, services, trade-related investment measures and intellectual property rights were initially met with considerable opposition from other countries. Despite this opposition, however, significant progress has been made on all these issues. For example the Agreement:

Extends the trading rules to sectors in which the United States is highly competitive such as agricultural products and services (in which we had a \$67 billion surplus in 1993);

provides for new international disciplines on non-tariff barriers such as Trade-related Investment Measures, Voluntary Export Restraints, Technical barriers to trade, Sanitary and Phytosanitary Measures, Rules of Origin and Government Procurement, many of which have been the source of obstacles for US exports in the past;

helps level the playing field of international competition by clarifying the rules for unfair trade that deal with subsidies and dumping;

contains an international agreement on intellectual property rights which will afford US high-tech producers with rights they have hitherto not enjoyed when their innovations have been copied without remuneration;

and reduces the need for unilateral US trade actions because it tightens the disciplines of the international system by establishing a new World Trade Organization and a new and more binding system for settling international disputes.

It provides for the elimination the network of quotas -- the Multifiber Agreement -- that currently protect the textile industries in developed countries, while retaining tariff protection for US textile and apparel workers.

Effects. Living standards improve when nations remove their barriers to trade. Economic studies of the Agreement suggest that if implemented it would raise American incomes by about one percent of GNP.¹ In today's terms this amounts to \$68 billion dollars or about \$1000 for each American family of four.

¹ For a Review of these studies see Alan V. Deardorff, "Economic Effects of Quota and Tariff Reductions" in Susan M. Collins and Barry P. Bosworth (eds) The New GATT: Implications for the United States. Brookings Institution Washington DC 1994 pp 7-27.

At first blush this one percent gain may not seem large but there are very few measures, in any policy area that Congress can act on which could achieve anything close to this improvement. These are benefits which come from using the same labor force and capital stock more efficiently and, aside from the costs of adjustment *involve no additional use of resources*. This benefit is between fourteen and fifty times as large as similar estimates of the impact of the NAFTA on US living standards. It also brings much larger social benefits than "massive" budget package passed in the first year of the Clinton Administration. Recall this measure was expected to raise national savings by \$500 billion over five years. If all of this saving were to be invested in an investment which yielded ten percent in perpetuity, it would yield 50 billion dollars and thus have roughly the same impact on real US incomes. (about one percent of GNP).

Studies show that jobs in US export industries tend on average to pay higher wages than those in industries competing with imports.¹ The United States Special Trade Representative for example, estimates that wages in export related jobs are seventeen percent higher than those in the economy overall. A balanced shifting of jobs, therefore, would tend to raise average US wages.

Objections. Some object that the Agreement could cause a loss of jobs. While America as a whole will benefit from this agreement, there will, of course, be some workers who work in import competing industries who may lose their jobs as a result of this agreement. According to study by Alan Deardorff and Robert Stern at the University of Michigan, for example, over the ten year period, labor market dislocation will amount to about 180,000 workers.² This amounts to about two tenths of one percent of the labor force. In an economy, such as ours, with a major long term growth problem, international trade offers one of the few reliable mechanism for improving productivity and raising living standards. We should not try to prevent change when it serves the long term interest of the economy as a whole. *Nonetheless it is crucial that our labor market policies provide adequate assistance to help retrain and reemploy our workers so that they can take advantage of these improved opportunities.*

Others object that the scope of the agreement is too modest. They believe it should have included rules for the environment and labor standards. To be sure, since the negotiations began eight years ago, several new issues have emerged that have not been adequately dealt with -- such as labor standards, environment, regional free trade areas and anti-trust policies. Nonetheless, these omissions are not reasons to reject this treaty. Instead, they are reasons for passing the agreement, so that, with the US in a leadership position, the international trading agenda can turn to deal with the new issues. Indeed, the more binding the WTO is made, the more credible such agreements will be in the future.

¹ See for example, Lawrence F. Katz and Lawrence H. Summers, "Industry Rents: Evidence and Implications" in Brookings Papers on Economic Activity 1989.

² Alan V. Deardorff and Robert Stern Computational Analysis of Global Trading Arrangements. University of Michigan Press. 1990.

Others have voiced concern that the more binding dispute settlement procedures of the WTO will undermine US sovereignty to an unacceptable degree. In particular they have raised objections that the GATT inhibits the US from undertaking measures to preserve our environment or the safety of our workers and consumers. To be sure, the setting of international trade rules cannot be a one-way street. The cost of imposing greater discipline on our trading partners is inevitably accepting these disciplines for ourselves. Nonetheless, it is simply not true that either the GATT or the WTO prevents the US from having higher product or worker standards than our trading partners. The only inhibition is on standards which discriminate between US products and foreign Products.

It should also be emphasized that the US remains sovereign over its domestic policies. Even with its strengthened dispute settlement mechanism, the WTO cannot force the United States to take actions against its will. At the very worst, if the WTO found US policies in violation of the agreement and the US did not wish to change these policies, the US would have the option, either of lowering its trade barriers in another area or of allowing other GATT members to raise theirs. Depending on their size and/or trading relations with the US this is not something plaintiff countries will chose to exercise lightly. In addition, the US remains free to use its unilateral Section 301 measures in cases where other nations engage in practices not covered by the Agreement.

The WTO, by its own terms, will continue to make decisions by consensus -- as was the case under GATT. The agreement does however, allow for members to be compelled to accept amendments that are supported by a three fourths majority of the members or to withdraw from the agreement. Some have laid out a scenario that other nations gang up on the US to changes the rules in a manner that is against US interests. However, in the extremely unlikely event that other nations actually tried to tilt the rules of the WTO so that they no longer served US interests, the US could always withdraw from the organization.

Failure. What if the Congress fails to pass the agreement? In a strictly legal sense, rejection of the Agreement would simply lead to the status quo. But this perspective would miss the blow to the momentum in liberalization that it would represent. It would be hard to underestimate the shock to the trading system that a failure of US ratification would bring. The US has served as the linchpin of the postwar trading order. It would be abrogating this position -- something it did in the 1930s with disastrous consequences. It is hard to underestimate the importance of this measure to countries around the world. The ripple effects of trade frictions on financial markets has become a very strong factor in US-Japan deliberations. The blow a rejection of the Uruguay Round would strike to global confidence would be quite similar. Those with a genuine concern for the welfare of American worker would not risk the financial disorder rejection of the Agreement would entail. Over the longer run, with confidence in the system damaged, trade barriers would be bound to increase.

PREPARED STATEMENT OF ROBERT SARGENT

First, I want to thank Senator Kennedy and the members of the committee for the opportunity to speak today. Today's hearing represents what I hope will be many public debates on the complex issues associated with this Uruguay Round of the General Agreement on Tariffs and Trade.

My remarks today will be brief because, at least today, I only want to make one point; that is that we must stop the rush to pass GATT and give the people of Massachusetts and the nation a chance to take a look at it. Understandably, people busily leading their lives do not have the time to contemplate the impact of an international trade agreement on the things they care about. This GATT has been buried on the business pages for nearly a decade. The complex issues associated with this agreement ^{deserve} more than an up or down vote by Congress. We hope that today's discussions and hopefully next year's debates in Congress will give people the opportunity to take a close look at GATT.

Most of the discussion about GATT has been focussed on its effect on jobs, labor standards and workers rights. These are important and legitimate issues and concerns that deserve scrutiny and the utmost consideration. I want to focus on the profound impact GATT will have on environmental and consumer protection and the democratic process.

GATT is bad for the environment and consumers since it would allow nations with which we trade to challenge U.S. and Massachusetts laws and regulations as trade barriers. These challenges would be heard by a secretive and unaccountable deliberative body called the World Trade Organization that would rule on challenges to these laws. Disputes would be heard by three unelected bureaucrats in Geneva. Neither states nor citizens would have standing in these hearings. Neither the press, nor the public would be allowed to attend the proceedings and the records would not be public. One need only look behind the former Iron Curtain to see how a lack of democracy and public accountability results in environmental disasters.

Contrary to the "don't worry, be happy" response GATT critics receive, the concerns about challenges to important environmental and consumer protections are not without merit. Some laws, like the Marine Mammal Protection Act and Automobile efficiency standards have already been challenged under the existing GATT and the European Union has targetted many more as potential barriers to trade. The fear of wholesale attack on our nation's environmental and food safety laws has made opposing GATT "as is" the consensus position for the environmental community in spite of some division of opinion in the debate over the North American Free Trade Agreement.

As a state-based advocacy group, MASSPIRG's biggest concern is the effect that GATT will have on state laws and regulations and the ability for innovative policies to percolate up from the states. State laws or regulations which are stricter than Federal law would be particularly vulnerable under GATT. In Massachusetts, laws governing automobile emissions, state procurement policies for recycled material and regulations which require environmental costs to be considered in the utility resource planning process could be vulnerable.

In spite of this, the state government would not be allowed to defend challenges to its law before the dispute resolution panel. While the U.S. is at least represented by one vote on the World Trade Organization, Massachusetts has no representation. If a challenge to a state law or regulation is upheld, the Federal government is likely to put immense pressure on the state to change that law or regulation. This process not only stomps on the rights of the states, but gives powerful special interests who benefit from the status quo a potent argument against strengthening environmental protections at the state level. Since new ideas from the states tend to drive Federal policies GATT will stifle progress made in environmental protection. The states will no longer be the "laboratories of democracy" cited by Justice Louis Brandeis.

U.S. and Massachusetts citizens should be allowed to pass laws to protect themselves through a democratic process with ^{out} outside interference from an organization over which they have no control.

Today we are asking Chairman Kennedy, the members of the Committee and Congress to give GATT the public debate it deserves. Congressional passage of GATT without a debate or the ability to amend it to address serious concerns which have been raised would be a grave mistake. Thank you, again for the opportunity to be heard today.

PREPARED STATEMENT OF STEVE EARLY

My name is Steve Early. I am here today as a representative of the Communications Workers of America (CWA), which has 600,000 members nationwide and more than 7,000 in Massachusetts. I am also appearing on behalf of the Massachusetts Jobs With Justice Coalition. Jobs With Justice is a campaign for workers' rights backed by 38 different labor, community, environmental, and other organizations. Among its union affiliates are the IUE and ILGWU, who have testified here today, and others like the UE and the Teamsters, who have not had the opportunity to do so.

CWA and JWJ are strongly opposed to ratification of the General Agreement on Tariffs and Trade (GATT) by Congress next week. We urge the chairman of this committee to take a leading role in opposing S. 2467, GATT's implementing legislation in the Senate. We believe our concerns about GATT, briefly summarized below, are shared by many of the chairman's Massachusetts constituents. This was demonstrated yesterday in the anti-GATT protests that occurred in more than a dozen communities around the state.

Like the North American Free Trade Agreement, passage of GATT will mean more plant closings, downward pressure on wages, health benefit cuts, and loss of union rights. There will be little or no assistance to workers and communities adversely affected by the deal.

Unlike other past trade agreements, which focused on lowering tariffs on goods traded between member states, GATT decrees a sweeping deregulation of international trade and investment. It will make it much harder for any country to control the activities of multi-national corporations. The multi-nationals will have even greater ability to shift their operations to areas of the world where taxes are low, labor is cheap, environmental laws are weak or non-existent, and democratic rights are routinely denied.

Disputes about what constitutes unfair trade practices will be settled by a powerful new body called the World Trade Organization (WTO). Operating with little public accountability, the WTO will quickly become a forum for business-backed challenges to any U.S. labor, environmental, or consumer protection measures that might be considered "non-tariff barriers to trade."

Using the threat of trade sanctions, the WTO will be able to force any GATT signatories to ease or abandon tough national standards for workplace fairness, pollution control, and product safety. The WTO's de facto veto over this type of social, economic, or environmental policy will not be subject to any further legal

appeals. Each of the 123 nations involved--regardless of size--will have only one vote in the organization. A two-thirds majority vote will be sufficient to impose trade sanctions that now require unanimity among all GATT members.

Kantor Can't Have It Both Ways

Defenders of GATT, like the Clinton Administration's chief trade negotiator, Mickey Kantor, insist that we have nothing to fear about future challenges to domestic legislation or regulations based on GATT/WTO rules against non-tariff barriers to international trade. GATT, they say, cannot supercede any U.S. law or standard.

If that's true, what do we make of The Boston Globe's Oct. 30 report that "top U.S. trade negotiators acknowledge" that Senator Harkin's proposed ban on the import of products made abroad by children under the age of 15 "appears to be GATT-illegal?"

As The Globe reported:

"GATT...bans countries from imposing trade restrictions on products based on the way they are produced. So if [Harkin's] Child Labor Deterrence Act resulted in the banning of a rug made by children in India, when an identical rug made in Iowa could be sold in U.S. stores, India could seek tariff penalties against the United States. ...A key difference in the new GATT is that the United States can no longer block sanctions against it."

To cite a similar example of Mr. Kantor's inconsistency on a manufacturing issue much closer to home, our U.S. Trade Representative was quite active in lobbying on Capitol Hill earlier this year on telecommunications bills. When CWA sought to include a domestic content requirement in this legislation in an effort to secure employment for its members at AT&T in North Andover, Mass. and other workers engaged in manufacturing phone equipment in this country, guess who was there telling Congress that this was "GATT-illegal?" None other than Mr. Kantor, who now claims that his GATT/WTO scheme will have no such impact on present or future U.S. law making or regulatory policy.

In recent correspondence with his constituents on the subject of GATT, the chairman of this committee informs us that he is working with others in Congress to insure that some of the above concerns are "adequately addressed in the legislation needed to implement GATT."

In particular, Sen. Kennedy states:

"I am also concerned about implementing worker rights and effective labor standards in all countries participating in GATT. I have co-sponsored a bill (S. 2268) with Senator Wofford to help assure that the benefits of increased trade are felt by the workers of developing nations and that other countries do not reject internationally recognized worker rights to gain a competitive advantage in trade."

We are aware that S. 2268 has now been incorporated as Section 131 (in Subtitle D) of the GATT implementing legislation, S. 2467. Unfortunately, this measure has no substance whatsoever. Section 131 merely provides for the President "to seek" establishment of a working group within the GATT structure to examine the relationship of internationally recognized worker rights and trade policy.

In other words, let's try to create a WTO committee that will just study the problem--for years perhaps. Meanwhile, the same President who is supposed to persuade our trading partners to set up such a committee just took steps to "de-link" trade policy and worker and human rights in his meeting with several of them in Indonesia.

Learning From NAFTA

Senator Kennedy's sop to labor and human rights activists concerned about GATT looks weak even in comparison to the NAFTA side Agreement on Labor Cooperation (NAALC). This supplement to the original U.S.-Canadian-Mexican trade deal was negotiated to quiet NAFTA critics. It established a formal hearing process that could be used to protest labor violations in any one of the three countries involved.

A National Administrative Office (NAO) was created after NAFTA was passed to enforce NAALC's provisions. Other witnesses before this committee have already described the NAO's disgraceful handling of its first labor complaints--the Teamster/UE challenge to the mass firing of union supporters at Mexican plants run by General Electric and Honeywell. This betrayal of workers' interests here and in Mexico was compounded by Labor Secretary Reich's refusal to intervene by invoking NAALC provisions which call for cabinet-level discussions--and possible sanctions--to resolve such disputes over anti-union conduct by employers.

We have attached to our testimony today a detailed account, by journalist Peter White, of how these cases were handled. As White observes, "the NAO's failure to act has left American unions increasingly skeptical about similar 'protections' offered in the General Agreement on Tariffs and Trade..."

Given the completely toothless nature of Section 131 of S.2467, "protection" is too strong a word to describe what's now being offered to labor in GATT. Furthermore, we are not merely "skeptical." We are firmly convinced there's nothing in the GATT implementing legislation that addresses our concerns.

Which Side Are You On?

Next week's Congressional vote on GATT is, in the current cliché, a "defining moment." Like last year's vote on NAFTA, it involves a 'defining issue.' Our Congressmen and Senators get to decide once again whether to side with capital or labor on questions central to the reorganization of the world economy and the role of democratic societies within it.

We urge members of this committee, particularly its chairman, to reject any bi-partisan effort like GATT which threatens to lower, rather than raise, labor, environmental, and consumer protection standards.

Even more fundamentally, we ask you not to join those in Washington who seek to deprive our nation and others of the ability to impose effective social controls on the behavior of multinational corporations, whose power and influence already outstrip the ability of most governments to regulate their activities.

False teeth

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ernando Castro Hernandez used to be in charge of hazardous waste disposal at General Electric's (GE) small motor plant in Juarez, Mexico. In May 1993, however, Castro refused to falsify company safety reports and he was demoted to the production line. There, he says, workers were talking union. Castro got involved. In November 1993, one week after his picture appeared in a union newspaper, Castro was fired. So were roughly 120 other pro-union workers.

When President Clinton pushed the North American Free Trade Agreement (NAFTA) through Congress last year, he promised reluctant lawmakers that this kind of abuse would be outlawed by a labor side agreement that was negotiated as a supplement to the original treaty. That side agreement, the North American Agree-

ment on Labor Cooperation (NAALC), established a hearing process that could be used to protest labor violations in the United States, Canada and Mexico, the treaty's three signers.

GE's treatment of its Juarez workers and similar tactics used by Honeywell at a thermostat plant in Chihuahua prompted cross-border union organizers to file the first two labor grievances under NAALC last February. But the outcome of that grievance—which led to no action against either company—has unions fearing that NAALC is a toothless safeguard.

The National Administrative Office (NAO), the agency established to enforce NAALC's provisions, decided that it did not have the authority to impose sanctions on GE or Honeywell. Labor Secretary Robert Reich also refused to intervene—suggesting that in a post-NAFTA world, corporations will be free to move across national boundaries at will and leave higher wage, health and environmental standards behind. The NAO's failure to act has left American unions increasingly skeptical about similar "protections"

offered in the General Agreement on Tariffs and Trade, which is scheduled for a congressional vote later this year.

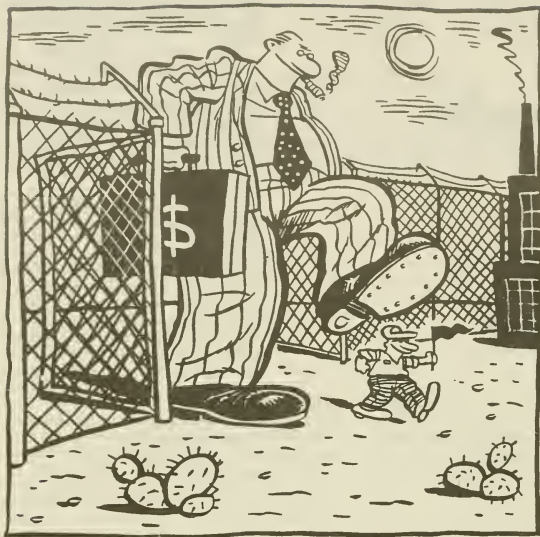
The GE and Honeywell complaints were brought by two American unions—the Teamsters and the United Electrical, Radio and Machine Workers (UE)—which represent U.S. workers at the two companies. They brought the complaints in cooperation with an independent Mexican metalworkers union, STIMAHCS. The unions charged both companies with illegally firing about 150 Mexican workers who attended off-duty meetings with union organizers in Juarez and Chihuahua. In addition, they claimed Mexican labor officials refused to process an application for union recognition at GE's Juarez plant. They further alleged that GE officials harassed, bribed and threatened workers prior to an election in August 1993 that the union subsequently lost 914-159.

Initially, GE had argued that NAO authorities from the United States had no right to investigate its operations in Mexico. But the NAO decided to review the cases over GE's objection. Under NAALC rules, workers from one country can submit evidence to the NAO in either of the other countries to show that it is failing to enforce its own labor laws. If the NAO finds merit in a Mexican case brought before the NAO in Washington, for example, the U.S. labor secretary can request a meeting with his Mexican counterpart to resolve the dispute. Persistent abuses of health and safety, child labor or wage laws can lead to economic sanctions.

Organizers had hoped that the NAO's review would stir Mexican authorities to inspect the two plants for health and safety violations, overturn the election defeat at GE's Juarez

The first hearing held to enforce NAFTA's labor safeguards shows the treaty has very little bite.

By Peter White



plant, and reinstate the fired workers. None of those things happened. The unions also hoped that Labor Secretary Reich would invoke the NAALC provisions that call for cabinet-level discussions—and possibly sanctions—to resolve the two disputes. Reich refused. Instead, he suggested that Mexico, the United States and Canada hold a series of low-level seminars to discuss labor law and organizing rights at some undetermined future date.

Reich's decision came after a seven-month investigation that climaxed in the NAO's Washington hearing room on September 12. The one-day hearing received virtually no coverage in the American media.

Mexican workers argued that the companies had systematically violated health, safety and union organizing laws. One of 14 union witnesses, Ofelia Medrano Sanchez, 23, testified that her supervisor had ignored her complaints about epoxy resin fumes at Honeywell's Chihuahua plant where she earned \$5 a day. "That's when I became interested in organizing a union. I organized some meetings in my home, in my friends homes and in the union office," Sanchez said in the hearing.

She said her supervisor offered her money if she would identify union sympathizers at the plant. Three company officials harassed her for four hours one day, alternately promising Sanchez better treatment and then threatening to fire her if she didn't stop trying to organize.

"The following week they began to fire 20 workers, including my sister and the other women who had attended the meetings," Sanchez said in the hearing. Honeywell Public Relations Director Meta Gaertnier said Sanchez was fired for "being repeatedly away from her work station" and that the others were simply laid off. "Honeywell recognizes the right to organize and we aren't going to get in the way of that," Gaertnier said.

"It's not true," said Sanchez. "All of the women who were fired had participated in the union. In addition, a very

short time after we had been fired, I learned through a friend who worked in the plant that they were hiring more workers."

Four Mexican labor lawyers testified that American companies violate Mexican labor law with impunity because Mexican officials are anxious to please U.S. corporations. The lawyers also argued that officials are hostile to organizing drives by unions that are not affiliated with Mexico's ruling Institutional Revolutionary Party.

Blacklists of pro-union workers are shared by management from different companies, said Benedicto Martinez Orozco, the secretary general of STIMAHCS. Martinez also said workers are sometimes forced to sign blank statements that company officials fill out later to provide "cause" for terminations.

"The overwhelming majority of fired workers are obligated to renounce their legal rights through various company maneuvers such as obtaining signatures on blank papers, voluntary resignations and the severance pay system," said Martinez. Because labor officials are slow to resolve complaints brought to Mexico's labor arbitration boards, Mar-

inez said, most workers are forced by economic necessity to accept severance pay instead of fighting for their collective bargaining rights.

Despite this compelling testimony, the NAO issued a 33-page report on October 12 that stopped short of making any findings on the merits of the two cases. The report concluded that deciding whether Honeywell and GE had violated Mexican labor laws was beyond the NAO's purview, as GE had originally argued. NAALC's Article 36 does allow labor officials from the United States, Mexico and Canada to take up cases of workers outside their borders when government agencies consistently ignore their own health and safety, child labor, and wage rules. But organizing rights are not included in this category. The NAO agreed with GE that the agency was "not in a position" to determine whether Mexican officials "failed to enforce the relevant labor laws."

A Honeywell spokesperson told *In These Times* that the ruling proved the company was innocent of any wrongdoing. But union officials called the report a whitewash. Cross-border organizers are furious that the NAO—after refusing to investigate organizing violations—did not even consider the health, safety and wage violations that they say led the workers to organize in the first place.

What the NAO can and should do, according to NAO Secretary Irezema Garza, who authored the October report, is gather and publicly report as much information as possi-

ble about labor practices in Mexico, Canada and the United States. But Garza, who presided at the NAO's Washington hearing, barred the electronic media from recording the proceedings and limited witnesses to about 15 minutes of testimony each, according to one union official. Garza could not be reached for comment.

"I think it was intentionally designed to prevent the emergence of information for public view," said Robin Alexander, the UE's director of International Labor Affairs. "It was the antithesis of what the process should have looked like."

"The only way it could be effective would be if the NAO took its responsibility to investigate seriously and cast major public light on violations," Alexander added. "Every indication is that they are not prepared to do that." Currently, the NAO lacks subpoena power to obtain witnesses and documents, virtually ensuring that vigorous investigations won't be conducted when complaints are filed. Alexander said unions should press the Clinton administration to renegotiate NAALC.

"We were suspicious of [NAALC] from the first," said editor Peter Gilmore of the *UE News*. "But we decided to see if we could play the game by the new rules—and our conclusion is that the game is rigged and the rules have to be changed."

◄ Peter White is a journalist and video producer currently working on a documentary about the economy of Chiapas, Mexico.

PREPARED STATEMENT OF HERMAN STAROBIN

Thank you, Mr. Chairman, for scheduling this hearing on the GATT agreement, an extremely important, but little understood subject. I appreciate the opportunity to share with you the concerns of the International Ladies' Garment Workers' Union. Our 175,000 members live and work in more than two-thirds of the fifty states and produce women and children's apparel and related products.

My testimony will deal with:†

1. the tenuous relationship between the Uruguay Round agreement, international trade in general and job creation in the United States in particular;
2. the deafening silence of the agreement on worker rights and labor standards;
3. the impact of the agreement on the apparel and textile industries and on the jobs they provide; and

4. the half-truths that have been used by successive Administrations and continue to be used to support trade policy.

Administration spokespeople have stressed their view that the Uruguay Round agreement will create massive numbers of new and better jobs. Despite the rosy statements about job creation, the United States continues to experience high levels of unemployment. Job creation since the last recession has been at a slower pace than after prior recessions and the jobs that have been created are, by and large, low-paying ones.

In 1993, to use the last full year's data, 8.5 million people were officially cited as unemployed, an unemployment rate of 6.5 percent. To that figure must be added those who did not look for work in the survey week because they felt that they could not find jobs and those who have stopped looking for work for the same reason -- another two million people. The official figures also exclude those working part-time because they cannot find full-time jobs, five million additional workers. Thus, total and partial unemployment in 1993 was close to six million people, more than 14 percent of the non-farm work force.

According to the Bureau of Labor Statistics, 75 percent of laid-off workers are on permanent layoff, with no prospect of being recalled by their previous employers. This is the highest proportion since the agency started keeping records in 1967.

Further aggravating the employment situation is the practice of employers to increase overtime, rather than hire new employees. In 1993, overtime was at an all-time high of 4.4 hours per week. This was the equivalent of 1.3 million factory jobs that were not created.

Last November, BLS projected non-farm jobs by industry and occupation that would be created between 1992 and 2005 (Monthly Labor Review, November 1993). The ten occupations showing the largest expected job growth are, in order: retail salespersons, registered nurses, cashiers, general office clerks, truck drivers, waiters and waitresses, nurses' aides, janitors and cleaners, food preparation workers and systems analysts.

The ten jobs showing the largest projected declines are: farmers, sewing machine operators, private household cleaners and servants, farm workers, typists and word processors, private household child care workers, computer operators, packaging machine operators, inspectors and testers and switchboard operators.

Note that only one high technology-related job is on the list of growth jobs over the next decade -- systems analysts. Two high technology-related jobs, word processors and computer operators, are on the endangered list.

The difficulty our economy is experiencing in creating jobs, especially good jobs, explains in part the Administration's emphasis on increasing trade in general and the Uruguay Round GATT agreement in particular as major engines of job creation.

Administration sources use different figures at different times, but their overall message is that export-related jobs pay 17 to 22 percent more than the overall average wage rate. These rates are somewhat distorted by including high-paid jobs in aircraft construction, a product with a finite and increasingly competitive market, and jobs in a handful of highly concentrated areas. But relying on exports for substantial job growth can lead to even more serious distortions.

The Bush Administration's Commerce Department posited a formula that every \$1 billion in exports creates 20,000 jobs. The figure was later modified to 17,600 jobs for every \$1 billion of exports, although Ambassador Kantor continues to use the larger figure. I might add parenthetically that no one, to the best of my knowledge, has ever laid out how these formulas were derived; they are simply asserted and, unfortunately, generally accepted.

Assuming the figure is valid, the converse must also be true. Every \$1 billion in imports must result in the loss of 20,000 jobs. Given the \$116 billion unfavorable trade balance in 1993, the United States lost 2.3 million jobs in international trade. The figure may be even higher because so many of our merchandise imports come from low-wage countries. In 1994, the trade imbalance is running at an even higher pace than in 1993.

Using the Administration's 20,000 jobs per \$1 billion in exports formula and the official 1993 unemployment figure of 8.5 million, to cut unemployment in half requires a 58 percent net increase in exports, hardly a likely prospect. Complete elimination of unemployment through increased exports would require more than doubling the 1993 export figure of \$364 billion, even less likely. The same doubling of exports would be required to reduce by half the unemployment that existed among the 16 million fully and partially unemployed and discouraged workers and this would still leave 8 million workers fully or partially unemployed.

Assuming no serious growth in U. S. imports, which would result in further declines in employment and no growth in the U. S. labor force, increased exports may help raise the net creation of domestic jobs. However, even this will not create the huge number of jobs envisioned by Administration spokespeople.

Using the Administration formula raises other questions. The United States is not the only developed country with high unemployment. All of the developed countries share this experience. Unemployment in some is even higher than in our country. These countries will also seek to raise their exports to the same markets as the U. S.

There are more effective ways to create jobs than through the questionable vehicle of international trade. Improving U. S. living standards, which have been declining over the past two decades, would increase sales of domestic products and help to create jobs. Improving living standards in the Third World, to be discussed later, is equally crucial to any U. S. effort to create additional jobs in our country through exports.

Administration spokespeople talk about retraining the work force for high skilled jobs in the new "global economy." This sounds good, but it does not respond to the BLS projection on where future job growth will take place, nor does it address the question of what happens to workers who are either unemployed or forced to take lower paying jobs between now and when they are retrained. Neither the Uruguay Round implementing legislation nor any other program deals with this problem.

Policy makers should look to programs that would lead to greater and quicker creation of high quality jobs in the U. S. Such programs should also relate to some of the pressing needs of the people of our country and could include:

- * A large-scale, long-term public works program that would create new jobs and also help to meet long neglected infrastructure needs. Such jobs would pay for themselves quickly through increases in income tax

collection and the multiplier effect on the economy.

- * A monetary policy that refrains from raising interest rates in the absence of actual inflation..
- * Active support for international trade rules that would require countries with a trade surplus with the U. S. to bring down their surpluses within a given time frame.
- * Inclusion of a social clause in all international trade agreements, bilateral as well as multilateral (including the GATT agreement), as a way to help raise living standards in the Third World. This would assist these countries to develop domestic markets and, in turn, provide real markets for U. S. consumer goods exports.
- * Elimination of the foreign tax credit, which rewards multinationals for exporting U. S. jobs.
- * A national housing program to deal with the long-neglected need for reasonable housing facilities and which would create jobs at the same time.
- * Improvement in worker training and assistance for dislocated workers that would lead to real jobs, not merely conscience-salvers for policy makers.

The largest potential consumer goods market for increased First World exports is the countries of the Third World. This helps to explain, in part at least, why the U. S. has pushed reciprocal market opening in the Uruguay Round negotiations.

Capital goods exports are being shipped to Third World countries by the multinationals to produce goods with low-cost labor. But the key to higher consumer exports, as observed earlier, is the creation of effective markets in developing countries. This requires a meaningful increase in the purchasing power of the people of the Third World and vast improvements in the distribution of income.

Taking a leaf from the history of the United States and other developed countries, acceptance of the right of workers to organize and to bargain collectively is a major factor in raising living standards in the Third World. Acceptance of minimal labor standards -- a living wage, restrictions on child labor, freedom from abuse in the workplace -- is crucial to increasing our exports to the Third World. No improvement in living standards has ever come from the goodness of the hearts of employers.

Under the best of circumstances, the policies mentioned above cannot be expected to take place overnight. Yet, such proposals for the Third World continue to be rejected by the multinationals who profit from low wages and exploitation and the small domestic elites in the Third World who do the same. The Uruguay Round GATT agreement is silent on the issue of worker rights and labor standards. The implementing legislation also ignores the issue as part of the Administration's efforts to placate big business.

In addition to the economic arguments in support of labor rights and worker standards in the rest of the world, there is a question of basic humanity. No one anywhere in the world should have to work in squalor, barely able to eke out an existence, let alone a living, forced to live away from home and family, subjected to cruel treatment, unhealthful working conditions and risk to life and limb. That, however, is the documented reality of working life in much of the Third World.

The cruelest exploitation of all is the employment of children of all ages in industries that sap their strength, prevent their education and often take their lives. The myth that child labor is necessary to prevent impoverishment of families does not hold up. For every child working in a Third World country, there is an unemployed adult who could do that job. Yet, top U. S. trade negotiators have already informed Senator Tom Harkin that his Child Labor Deterrence Act, aimed at curbing U. S. imports of goods made abroad by child labor, will be illegal under the Uruguay Round.

It is generally recognized that the domestic apparel industry and its work force was the big giveaway by the U. S. government in the GATT Uruguay Round. The agreement puts at peril one million U. S. apparel jobs, 700,000 textile jobs and hundreds of thousands of additional jobs in supporting industries. The threat is acknowledged by the U. S. International Trade Commission in its June 1994 report, Potential Impact on the U. S. Economy and Industries of the GATT Uruguay Round Agreements, which said that the biggest hit of the Round was domestic apparel.

The threat to apparel jobs from the Uruguay Round results from:

- * Elimination over ten years of the Multifiber Arrangement and the import quotas it allows. The MFA provided to some extent an orderly market for apparel and textile imports.
- * Cutting tariffs on apparel.
- * Removing import quotas in three stages during the ten-year MFA phaseout, preceded by quota increases representing 16 percent of existing quotas the day the agreement goes into effect. Many believe that negative effects of the end of MFA on employment will occur much earlier than in ten years.

- * Providing for growth in the remaining import quotas while existing quotas are being phased out, referred to as "growth on growth."

To participate in the new structure governing apparel trade, apparel and textile exporting countries are required to open their markets to apparel and textile exports from developed countries. The resulting so-called "reciprocal market opening" also requires that exporting countries agree to progressive cuts in their apparel and textile tariffs.

This part of the agreement, however, is backloaded to advantage the exporting countries. Tariff cuts and quota elimination by importing countries begin the day the Round takes effect. This would clearly lead to rapid increases in U. S. apparel imports. Exporting countries, on the other hand, are given up to ten years to begin to cut their tariffs and end their non-tariff barriers.

Thus, while the U. S. will ~~end~~ all controls in ten years, exporting countries will only have to begin to take steps to open their markets after the U. S. market is totally open. How much domestic apparel production can one expect will remain after ten years of huge increases in low-wage imports?

Reciprocal market opening for apparel, even after ten years, may sound good on paper, but it does not address the real problem. Once again it must be stressed that Third World consumers could purchase meaningful amounts of imported apparel only if their meager wage levels were to rise substantially. This could occur if trade agreements, including the Uruguay Round, included provisions for worker rights and labor standards.

While there are foreign markets for U. S. apparel exports today, they are to be found mainly in niches in developed countries. Government data, however, are being used to argue that U. S.

apparel exports are, in fact, already growing rapidly and that the Uruguay Round GATT agreement will accelerate this growth further by opening markets abroad. The way in which government data are presented, however, grossly distorts the facts.

According to Bureau of the Census data, U. S. apparel exports, net of re-exports of foreign-made apparel, totalled \$4.8 billion in 1993. Other Census data show that exports of apparel parts to Third World countries, where they are assembled and returned to the U. S. market, totalled \$3.1 billion or two-thirds of the reported exports. These goods never entered the markets of the producing countries. The U. S., in fact, exported slightly less than \$1.7 billion of finished apparel.

Of this figure, 95.4 percent or \$1.6 billion went to Canada, the European Union and Japan. This left a mere \$77 million in finished apparel exports to more than one hundred other nations, mainly apparel exporting countries.

Using the Administration formula that \$1 billion in exports equals 20,000 jobs, our total exports of apparel to the apparel-exporting universe in 1993 created 1,540 jobs in the United States. Doing away with trade barriers alone will clearly not appreciably increase apparel -- or other consumer -- trade with the people of Third World countries.

Administration spokespeople also tell only part of the story when they speak of how "free trade" with Mexico has already increased exports and, therefore, jobs in the U. S. They say that the Uruguay Round will do even better than NAFTA. A more complete story about NAFTA and trade, however, casts further light on how partial data are used to justify both agreements.

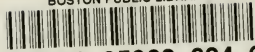
NAPTA is said to be working so well that in the first six months of 1994, total U. S. exports to Mexico were \$3.4 billion higher than in the same period in 1993. However, we are not told that imports from Mexico in the same period grew \$4.0 billion, producing a negative trade balance of \$540 million. Nor do these data tell us how much of our increased exports to Mexico never entered the Mexican market, but were U. S. parts that were assembled in Mexico with the end product shipped back to the U. S.

Knit and woven apparel exports to Mexico, for example, including parts sent there for assembly, were reported to be up \$141 million in the first six months of 1994 over the same months in 1993. But imports of these products rose \$180 million, resulting in a \$39 million unfavorable trade balance in these products.

After every recent GATT Round, administrations, regardless of party, have made grandiose claims that the agreements would produce massive increases in jobs and in gross domestic product and represent hundreds of billions of dollars in tax cuts. None of these predictions have come true. There is no reason to view the current predictions as more reliable.

We also hear the argument we heard in the 1980's from the Reagan Administration: that if we cut taxes for the wealthy and for business, everyone in the United States will prosper. Some Administration spokespeople make the same argument in the area of trade -- that the GATT agreement represents a tax cut for the American people, that our overall wealth as a nation will increase, that massive numbers of good jobs will be created and that everyone in the United States will prosper.

The argument did not work in the 1980's, nor will waiving the Senate budget resolution provide positive economic incentives today. In the 1980's the budget deficit was quadrupled to \$4 trillion. Waiving the Senate budget resolution in the name of



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similar highly doubtful benefits to the American people is reminiscent of the game-playing that went on in the 1980's.

Mr. Chairman, my testimony, as requested, has concentrated on economic issues. I would be remiss, however, if I did not tell this Committee of our deep concern about the threat to U. S.

sovereignty represented by the proposed World Trade Organization, described by other witnesses. Neither the WTO nor the agreement itself have been given the time needed by the Senate to analyze, digest and debate them before a vote is taken.

On behalf of the International Ladies' Garment Workers' Union, I urge the Committee and the Senate to reject the budget waiver proposal. A vote on the Uruguay Round GATT agreement should be put off until the Congress has had the opportunity to deal with the details of the agreement without the pressures of a special, lame-duck session.

**The CHAIRMAN. The committee stands in recess.
[Whereupon, at 1:15, p.m., the Committee was adjourned.]**

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